

PROFESSIONAL MOTOR VEHICLE THEFT  
AND CHOP SHOPS

---

HEARINGS  
BEFORE THE  
PERMANENT  
SUBCOMMITTEE ON INVESTIGATIONS  
OF THE  
COMMITTEE ON  
GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE  
NINETY-SIXTH CONGRESS  
FIRST SESSION

NOVEMBER 27, 28, 29, 30, AND DECEMBER 4, 1979

for the use of the Committee on Governmental Affairs

66892



PROFESSIONAL MOTOR VEHICLE THEFT  
AND CHOP SHOPS

---

---

HEARINGS  
BEFORE THE  
PERMANENT  
SUBCOMMITTEE ON INVESTIGATIONS  
OF THE  
COMMITTEE ON  
GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE  
NINETY-SIXTH CONGRESS  
FIRST SESSION

NOVEMBER 27, 28, 29, 30, AND DECEMBER 4, 1979

Printed for the use of the Committee on Governmental Affairs



U.S. GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1980

68-340 O

**COMMITTEE ON GOVERNMENTAL AFFAIRS**

**ABRAHAM RIBICOFF, Connecticut, *Chairman***

**HENRY M. JACKSON, Washington**  
**THOMAS F. EAGLETON, Missouri**  
**LAWTON CHILES, Florida**  
**SAM NUNN, Georgia**  
**JOHN GLENN, Ohio**  
**JIM SASSER, Tennessee**  
**DAVID FRYOR, Arkansas**  
**CARL LEVIN, Michigan**

**CHARLES H. PERCY, Illinois**  
**JACOB K. JAVITS, New York**  
**WILLIAM V. ROTH, Jr., Delaware**  
**TED STEVENS, Alaska**  
**CHARLES McC. MATHIAS, Jr., Maryland**  
**JOHN C. DANFORTH, Missouri**  
**WILLIAM S. COHEN, Maine**  
**DAVID DURENBERGER, Minnesota**

**RICHARD A. WERMAN, *Chief Counsel and Staff Director***

**PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**

**SAM NUNN, Georgia, *Chairman***

**HENRY M. JACKSON, Washington, *Vice Chairman***

**THOMAS F. EAGLETON, Missouri**  
**LAWTON CHILES, Florida**  
**JOHN GLENN, Ohio**  
**JIM SASSER, Tennessee**

**CHARLES H. PERCY, Illinois**  
**JACOB K. JAVITS, New York**  
**WILLIAM V. ROTH, Jr., Delaware**  
**CHARLES McC. MATHIAS, Jr., Maryland**  
**WILLIAM S. COHEN, Maine**

**MARY STEINBERG, *Chief Counsel***  
**LAVERN J. DUFTY, *General Counsel***  
**JOSEPH G. BLOCK, *Chief Counsel to the Minority***  
**ROLAND L. CRANDALL, *Staff Editor***

# NCJRS

APR 16 1980

## ACQUISITIONS

### CONTENTS

	Page
Appendix-----	303
Testimony of-----	
Bunnell, Wilfred Charles, Jr.-----	244
Cook, George, manager of vehicle security, Engineering Office, Chrysler Corp.-----	330
Earl, Marie, staff assistant to the minority.-----	325
Grinenko, Detective Peter, New York Police Department.-----	222
Howland, John S., mechanical engineer, Authur D. Little, Inc.-----	326
Ivkovich, Lt. Vladimir, commander, Northern Illinois Auto Theft Unit, Illinois Secretary of State's Police.-----	186, 188
Jaroszewski, Alex.-----	112
Kruse, J. Philip, head of intelligence, Illinois Bureau of Law Enfor- ment.-----	169
Marks, Howard S., investigator to the minority, Senate Permanent Subcommittee on Investigations.-----	5
Martin, David E., director, automotive safety engineering environ- mental activities staff, General Motors Corp.-----	330
Martin, Sgt. Frank, assistant director, New York Police Auto Crime Unit.-----	222
McDonnell, Thomas, special agent, Federal Bureau of Investigation, Buffalo, N. Y.-----	214
McQuown, Lt. Richard, commander, Auto Theft Unit, Kentucky State Police.-----	87
Murphy, Officer John, New York Police Department.-----	222
Murtha, Francis J., attorney, Chicago, Ill.-----	112
Pope, Sgt. Robert A., coordinator, organized auto theft activities, Cincinnati, Ohio, Police Department.-----	273
Schwein, Richard D., supervisory special agent, Federal Bureau of Investigation.-----	317
Shapiro, Richard H., investigator to the minority, Senate Permanent Subcommittee on Investigations.-----	5
Smith, John (an aliases)-----	59
Snow, Rodney, Chief, Criminal Division, U.S. attorney's office, Denver, Colo.-----	85
Wehster, Hon. William H., Director, Federal Bureau of Investigation.-----	201
Williams, Jerry, vehicle regulations manager, environmental and safety engineering staff, Ford Motor Co.-----	336

#### EXHIBITS

	Intra- duced on page	Appears on page
1. Memorandum on determining costs of motor vehicle related theft, by Criminal Division, U.S. Department of Justice, March 1978.-----	11	11
2. An analysis, prepared by the Congressional Research Service, of the Uniform Crime Reports for January-June 1979, re- leased by the FBI, October 9, 1979.-----	11	17
3. Relevant national statistical data relating to auto theft problem as extracted from the Uniform Crime Reports for 1960-78, prepared by Criminal Division, U.S. Department of Justice, December 1979.-----	11	20

	Intro- duced on page	Appears on page
4. Publication by the National Association of Attorneys General entitled "Organized Auto Theft," dated July 1979-----	11	(1)
5. A report by the New York State Senate Committee on Trans- portation entitled "Auto Thefts: A Low Risk High Profit Crisis in New York State," dated January 10, 1978-----	11	(1)
6. Tabulation of number and value of stolen vehicles recorded by FBI field offices-----	11	35
7. Three tables from "Criminal Victimization in the United States" for 1975, 1976, and 1977-----	11	36
8. Affidavit of John Smith, an aliases-----	60	(2)
9. Documents re John Smith, an aliases-----	63	(2)
10 Five rosette rivets used to attach vehicle identification plates-----	74	74
11. Photographs of tools used by professional motor vehicle thieves-----	74	75
12. General Motors Federal safety standard certification label-----	105	105
13. Two rosette rivets used to attach vehicle identification plates-----	105	(1)
14. Vehicle identification plate used by Ford Motor Co-----	105	105
15. Vehicle identification plate removed from a 1978 Ford truck-----	105	(1)
16. Xerox copy of Yellow Freight System, Inc., receipt re ship- ment of auto seats from East Gary Auto Parts, East Gary, Ind. to Superior Interior, Los Angeles, Calif., November 4, 1972-----	150	(1)
17. Xerox copy of front side of check No. 0878 on the account of Superior Auto Interior, Inc., Los Angeles, Calif., in the amount of \$500 and payable to East Gary Auto Parts, Inc., January 15, 1973-----	150	(1)
18. Xerox copy of photograph of package addressed to Superior Interior, Los Angeles, Calif., from East Gary Auto Parts, East Gary, Ind-----	150	(1)
19. FBI report of investigation, dated January 18, 1973, re examination of cardboard carton containing a set of front and rear 1972 Cadillac Coupe De Ville seats-----	153	(1)
20A. Affidavit of Alex Jaroszewski-----	153	153
20B. Documents demonstrating ownership of South Chicago Auto Parts, Inc-----	153	(1)
20C. FBI records of Steven H. Ostrowsky-----	153	(1)
20D. Miscellaneous pages from Illinois Crime Investigating Com- mission report entitled "Juice Racketeers: Report on Criminal Usury in the Chicago Area"-----	153	(1)
20E. Statement by Alexander Jaroszewski, September 22, 1972, to the FBI re murder of Bob Pronger-----	153	(1)
20F. Cook County, Ill., Sheriff's Police Department's report re raid on Markham, Ill., garage-----	153	(1)
20G. Cook County, Ill., Sheriff's Police Department's record of arrest of Alexander A. Jaroszewski, August 9, 1971-----	153	(1)
20H. Statement by Alexander Jaroszewski, September 22, 1972, to the FBI re gift of stolen car to Jimmy Catuana-----	153	(1)
20I. Statement by Alexander Jaroszewski, September 22, 1973, to the FBI re theft of Roger Croach's car-----	153	(1)
20J. Xerox copy of front of check payable to East Gary Auto Parts, East Gary, Ind., in the amount of \$700 on the account of Calumet Auto Wrecking, Inc., September 6, 1972-----	153	(1)
20K. Record of convictions of William Earl Dauber, Steven Hyman Ostrowsky, Joseph Marek, and John Schnaden- berg-----	153	(1)
21. Transcript of WMAQ-TV, Chicago, Ill., Newscenter Five series on "Car Thefts," November 12-16, 1979-----	101	101
22. Sealed exhibit-----	182	(2)

<sup>1</sup> May be found in the files of the subcommittee.

<sup>2</sup> Sealed exhibits.

	Intro- duced on page	Appears on page
23. Sealed exhibit.....	185	(2)
24A. Administrative hearing order, findings, and decision not to revoke the license of South Chicago Auto Parts.....	190	(1)
24B. Proposal by Lt. Vladimir Ivkovich for regulating the record- keeping of automobile wreckers and rebuilders, as pre- sented to the Illinois Department of Motor Vehicles.....	190	(1)
24C. Complaint for injunction in the Circuit Court of Cook County, Ill., re 1978 regulation of recordkeeping of automobile wreckers and rebuilders.....	190	(1)
24D. Temporary restraining order against enforcing 1978 regula- tion, in the Circuit Court of Cook County, Ill., August 7, 1978.....	190	(1)
24E. Disolution of temporary restraining order against enforcing 1978 regulation.....	190	(1)
24F. Illinois recordkeeping regulation for automobile wreckers and rebuilders, section 5-401.....	190	190
24G. Automobile theft report filed by Illinois Secretary of State Howlett.....	190	(1)
24H. Report of investigation of theft of Illinois Secretary of State Howlett's automobile.....	190	(1)
24I. Report of recovery of Illinois Secretary of State Howlett's automobile.....	190	(1)
24J. Report of theft of and recovery of Sgt. T. Piltaver's State of Illinois squad car.....	190	(1)
24K. Police report of raid and arrest of occupants of Darlene's Auto Body Shop, South Holland, Ill.....	190	(1)
24L. Police report of shattered rear window in Lieutenant Ivkovich's squad car.....	190	(1)
24M. Police report of burning of Investigator Vrtilk's Illinois State squad car.....	190	(1)
24N. Police report of shot fired through Inspector Serafini's squad car.....	190	(1)
24O. Mechanic's invoice for tightening upper A-frame of Lieut- enant Ivkovich's automobile.....	190	(1)
24P. Police and bomb-arson squad reports of attempted bomb- ing of Lieutenant Ivkovich's home.....	190	(1)
24Q. Copies of State of Illinois Basic Title and Registration Guide and 1978 Illinois Vehicle Code.....	190	(1)
24R. Affidavit of Lt. Vladimir Ivkovich.....	190	192
25. Affidavit of Wilfred Charles Bunnell, Jr.....	244	244
26A. Warrant for the arrest of Wilfred C. Bunnell on charges of obstructing justice, October 13, 1977.....	273	(1)
26B. State of Ohio indictment of Larry Joe Carnine; Thomas W. Majors, aka "Chat" Majors; James Spangler; Melvin Shapiro; J. S. Perkins, aka Tom Perkins; Martin Ruben; Denzil Hamm; Doris Hamm; and Mark Spangler, April 1978.....	273	(1)
26C. Letter dated October 12, 1978, from the Governor of Ohio to the Governor of Tennessee requesting the attendance of Wilfred C. Bunnell as State witness in the trial of Larry Joe Carnine.....	273	(1)
26D. Certified docket pages from grand jury hearing in the case of <i>The State of Ohio v. Larry Carnine, et al.</i> .....	273	(1)
26E. Stipulation of facts and proceeding in the case of <i>The State of Ohio v. Larry Joe Carnine</i> ; also finding and sentencing.....	273	(1)
26F. Judgment after trial in the <i>The State of Ohio v. Thomas W. Majors</i> .....	273	(1)
26G. Dismissal of indictment against Mark Spangler by the State of Ohio.....	273	(1)
26H. Judgment after trial in <i>The State of Ohio v. Denzil Hamm</i> .....	273	(1)
26I. Judgment after trial in <i>The State of Ohio v. Doris Hamm</i> .....	273	(1)

	Intro- duced on page	Appears on page
26J. FBI reports regarding cooperation of Wilfred C. Bunnell...	273	(1)
26K. State of Ohio's titling law for out-of-State vehicles.....	273	(1)
26L. State of Kentucky's titling law for salvage vehicles, chapter 186, section 186.115.....	273	(1)
27. List of automobiles and parts.....	280	(1)
28. Letter dated September 21, 1979, from Senator Percy to Benjamin R. Civiletti, U.S. Attorney General, re Motor Vehicle Theft Prevention Act of 1979 (S. 1214), and place- ment of vehicle identification numbers on automobile parts....	309	309
29. Letter dated November 20, 1979, with attachments, from Alan A. Parker, Assistant Attorney General, to Senator Percy, re Motor Vehicle Theft Prevention Act of 1979 (S. 1214), and placement of vehicle identification numbers on automobile parts.....	309	310
30. Film showing antitheft devices installed on a 1977 Dodge Colt by Arthur D. Little, Inc.....	334	(1)
31. Documents entitled "Vehicle Anti-Theft Security System Design, Volume I: Summary Report and Volume II; Technical Report" by John S. Howland, Arthur D. Little, Inc., dated December 1978 [These documents are available to the U.S. public through the National Technical In- formation Service, Springfield, Va. 22101].....	334	(1)
32. Environmental activities publication entitled "Summary of the Automotive Theft Survey," a joint project between General Motors Corp. and several automotive insurance companies.....	334	(1)
33. Memorandum to chop shop file from Jerry Block re Decem- ber 3, 1979, telephone conversation with Lt. Mel Mooers, auto theft section commander, Washington State Police....	362	363
34. Correspondence between the subcommittee and major domestic and foreign automobile manufacturers concerning professional motor vehicle theft problems.....	362	364
35. Excerpts from the National Workshop on Auto Theft Pre- vention sponsored by the New York State Senate Com- mittee on Transportation, October 3-6, 1978.....	362	465
36. Manual entitled "Repossessions, Procedures and Methods, Basic Automotive Locksmithing" by Fred L. Jarm, Jr.....	362	(1)
Proceedings of:		
November 27, 1979.....		1
November 28, 1979.....		111
November 29, 1979.....		187
November 30, 1979.....		243
December 4, 1979.....		289

## PROFESSIONAL MOTOR VEHICLE THEFT AND CHOP SHOPS

TUESDAY, NOVEMBER 27, 1978

U.S. SENATE,  
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS  
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS,  
Washington, D.C.

The subcommittee met at 9:30 a.m., pursuant to notice, in room 1202, Dirksen Senate Office Building, Hon. Sam Nunn (chairman of the subcommittee) presiding.

Members present: Senators Nunn, Percy, and Cohen.

Members of the professional staff present: Marty Steinberg, chief counsel; Bill Goodwin, staff director; Jerry Block, chief counsel to the minority; Charles Berk, general counsel to the minority; Howard Marks and Richard Shapiro, investigators to the minority; Stephanie Grill, Bill Mayer, Marie Earl, Sue Morgan, Jane Aiken, and Adele Linkenhoker, staff assistants to the minority; Myra Crase, chief clerk; and Mary Donohue, assistant clerk.

### OPENING STATEMENT OF SENATOR NUNN

Chairman NUNN. The subcommittee will come to order.

Today the Permanent Subcommittee on Investigations opens a series of hearings on the growing problem of professional automobile theft in America. Our hearings this week and next will center on the so-called chop shops in which stolen autos are dismantled and the parts sold on the black market.

As I hope will be the case in all our future inquiries, the subcommittee will examine a specific criminal problem faced by the Nation in order to ascertain the nature and extent of the problem and the type of criminals who are involved, including organized criminal elements.

At the same time, we will look at the response of law enforcement agencies to the problem in order to determine the effectiveness of those agencies and the need for legislative or executive initiatives to strengthen law enforcement and to remove unnecessary impediments to effective enforcement of the law.

So far, this investigation has revealed that auto theft is a crime that amounts to about \$4 billion a year. It also is a growing crime that increased nationwide by 13 percent during the first 6 months of 1979 over the same period of a year ago.

In some cities the increase was even more striking. For example, in my home State of Georgia, Atlanta saw an increase of 36 percent. And,

of course, there are other cities in the country with even higher increases.

We are all concerned about rising crime rates in America, and I commend Senator Percy, our ranking minority member, for his leadership in bringing the rise in automobile thefts to the attention of the subcommittee. At Senator Percy's suggestion, the subcommittee authorized this inquiry more than a year ago, and since then he has played a leading role in this investigation.

Senator Percy, we owe you and your chief minority counsels, Stuart Statler, who was here until this past July, and Jerry Block, since then, and the entire minority staff a debt of gratitude for the very fine job you have done. At this point I will yield to you.

#### OPENING STATEMENT OF SENATOR PERCY

Senator PERCY. Senator Nunn, Mr. Chairman, I want to thank you very much indeed.

Without your cooperation, full support, and that of the majority staff, we could not have come as far as we have. This particular problem is a part of the overall problem that I consider one of the most challenging and difficult problems the Senate and the Congress are dealing with now, the whole problem of inflation.

Inflation is made up of many component parts: lack of productivity, oil prices, high interest costs, and certain hidden costs. Many times it is the hidden costs that are the most frustrating. Here we have a hidden cost of \$3 billion that people are paying in insurance costs. The automobile business accounts for about 20 percent of the total economy directly or indirectly, and the costs of that industry add immensely to the spiral of inflation in this country.

Why are costs so high in this particular industry? Our investigations focused on one particular aspect of these costs. In looking at automobile thefts years ago, I think we could conclude that it was not nearly the problem that it is today. More often than not, stealing a car years ago was merely a crime committed by joyriding youngsters out having fun on Saturday night. If a person's car were stolen, the chances were very good that he or she would have it back in a few days, possibly a little worse for wear, but generally, it was recovered in one piece. In 1979, automobile theft is still an easy crime to commit. The crucial difference is that the odds of an owner seeing his car again, once it is stolen, are getting smaller and smaller.

Today's auto thief is a magician with an acetylene torch. Within hours after the theft the car is gone, chopped into parts, which are on their way to repair shops all across the country. In the 1970's auto theft has come of age. It is big business, a national growth industry, that reaches directly into the pockets of millions of Americans.

In Chicago, professional vehicle theft and chop shops have come to mean much more than disappearing cars and millions of dollars in illegal profits. According to some accounts, as many as 14 chop shop-related, gangland-style murders have taken place over the last decade. Organized crime has allegedly muscled into the chop shop business and has taken control.

The joyride is over. On a national scale, professional motor vehicle theft means billions of dollars in property losses, rising insurance rates,

increased costs to the criminal justice system, and the creation of a lucrative and mushrooming blackmarket in stolen car parts.

The U.S. Department of Justice now estimates that all forms of motor vehicle theft cost American consumers more than \$4 billion annually. Of this amount, the insurance industry pays out close to \$3 billion a year in claims. These costs are routinely passed along to the consumer in the form of more costly insurance premiums.

Anyone buying car insurance today in Chicago, San Francisco, New York, or any community where auto theft is on the rise, is painfully aware that this is so. In New York City, some motorists pay nine times the national average for theft coverage; Chicago motorists pay four times the average; and San Francisco motorists pay twice the average. And, as auto theft keeps increasing, the average keeps going up and up.

Judicial and law enforcement costs attributed to motor vehicle theft add another \$1 billion tax dollars to the price tag. In the end, every car owner pays.

The American people cannot afford to ignore professional motor vehicle theft. It benefits only the criminal. The time has come for citizens, lawmakers, and law enforcement authorities to tackle this problem head-on. Though these are investigative hearings, Mr. Chairman, we believe they will lead to legislation that has been carefully reviewed by the Justice Department and will be commented upon by Judge Webster, the Director of the FBI, on the final day of the hearings.

During the next 5 days of hearings, we will hear sworn testimony from witnesses who have stolen cars, and from individuals who have investigated and prosecuted dozens of thieves. These witnesses will provide first-hand accounts of how and why professional vehicle theft has mushroomed, how law enforcement has responded, and what further actions can be taken. These hearings will also examine the extent to which organized crime is now involved in this criminal activity.

This morning we will hear first from the two subcommittee staff investigators who have been principally responsible for the subcommittee's 15-month investigation of professional motor vehicle theft. They will outline the results of their investigation and discuss the factors which have made professional motor vehicle theft a booming source of illicit profit. Following this presentation, we will hear from a former car thief who will discuss why vehicle theft has become so attractive to the professional criminal. This witness was the mastermind behind one of the largest motor vehicle theft rings on record in the Southwestern and Rocky Mountain States. He will also demonstrate, in this hearing room, the ease with which most auto thieves can defeat the standard antitheft devices marketed by the automotive industry.

To conclude today's hearing, Lt. Richard McQuown of the Kentucky State Police will narrate a slide presentation graphically detailing the most lucrative and sophisticated vehicle theft activity—the chop shop. He will also discuss the serious problem which chop shops now pose to Kentucky's cities and rural counties.

It is my sincere belief that a concerted effort by America's lawmakers and law enforcement officials can significantly deter the professional vehicle thief. To this end, Senator Joseph Biden and I have

introduced S. 1214, the Motor Vehicle Theft Prevention Act of 1979. But before the needed steps can be taken, the American public must be fully aware of the consequences which we all suffer as a result of this insidious crime. It fuels inflation, drains our tax dollars, and has disrupted the lives of millions of Americans who have been victimized by criminals attracted to the low risks and easy profits of vehicle theft. Hopefully, these hearings will provide an important impetus for constructive solutions.

I would like to thank you and your excellent staff, chief counsel Marty Steinberg, La Vern Duffy, Bill Goodwin and Jack Key, for the assistance and support you have given us in this investigation.

I also want to thank the many people throughout the country who deeply believe that vehicle theft is a problem we can no longer ignore, and who have gone out of their way to help the subcommittee in preparing for these hearings.

Finally, I want to thank the minority staff: Chief Minority Counsel Jerry Block, who has worked intimately on these hearings for the 15 months; particularly three investigators who have worked very, very closely together—Howard Marks, Rick Shapiro, and Charles Berk; also Stephanie Grill, Adele Linkenhoker, Lynn Lerish, Bill Mayer, and Marie Earl who have all worked very, very hard to make these hearings possible.

I was pleased to note that Stuart Statler is here in the room this morning. Stuart was, for many, many years, minority counsel of this subcommittee and I am delighted he is here even if he is on the other side of the table. Stuart Statler and his colleagues, Bruce Anderson, Gretchen Gerwe, and Jeff Stone, all worked for the subcommittee when the investigation began, but are no longer with the subcommittee. We are very, very grateful indeed to them for the work that they did while they were with the committee.

Mr. Chairman, thank you.

Chairman NUNN. Thank you very much, Senator Percy. Senator Cohen, do you have a statement?

#### OPENING STATEMENT BY SENATOR COHEN

Senator COHEN. I would just like to make a brief comment. I would like to commend you and Senator Percy and the able staff for organizing these hearings.

I would also point out that this is not a problem confined to large metropolitan areas and so-called high-crime areas in the country. It is a problem of national scope and importance. My own State of Maine is a case in point. In many ways, Maine has been most fortunate. In recent years the auto theft rate has been far below that of other areas of the country. The car stolen in Maine is more likely to be recovered and returned than a car in another State.

Accordingly, our auto theft insurance is often less expensive than those in other States. But there is evidence that there is a reverse in this trend. If the statistics for the first 6 months of this year continue, the number of cars stolen in Maine for this year will exceed the number stolen last year by some 40 percent. And while much of the auto theft in Maine is still confined to what Senator Percy called joyriding,

there is evidence that stolen cars are now being transported through the State of Maine to chopping mills in Canada. There are signs that actual chopping operations once confined to large metropolitan areas are now being set up in Maine.

Finally, there is evidence of rising induced theft by owners of gas guzzlers who seek to defraud their insurance carriers. So, Mr. Chairman, the burdens, as Senator Percy has pointed out, touch all of us. The rising costs of auto thefts and chop shops don't fall simply on the big city.

So I want to commend you for holding these hearings.

Chairman NUNN. Thank you very much.

Senator Percy, I would like for you to take the lead if you would and act as chairman. I will be here as much as I can, but I know that you are thoroughly familiar with all of the witnesses and everything that is coming and I would ask you if you would take that seat.

Senator PERCY. Thank you very much. The first witnesses are Howard Marks and Richard Shapiro, investigators to the minority, Senate Permanent Subcommittee on Investigations.

Before you take your places, in accordance with our ordinary procedures, will you be sworn in, please?

Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. MARKS. I do.

Mr. SHAPIRO. I do.

**TESTIMONY OF HOWARD S. MARKS AND RICHARD H. SHAPIRO,  
INVESTIGATORS TO THE MINORITY, SENATE PERMANENT SUB-  
COMMITTEE ON INVESTIGATIONS**

Senator PERCY. Mr. Marks, will you start right off?

Mr. MARKS. Thank you, Senator Percy, and thank you Senator Nunn and Senator Cohen.

Chairman NUNN. Pull that mike up just as close as you can so that everybody can hear a little bit better.

Mr. MARKS. Thank you. About a year and a half ago, Senator Percy requested that the subcommittee staff investigate the problem of motor vehicle theft. He had read news accounts of violence associated with the chop shop operations in Chicago, and wanted to know how they worked, why organized crime apparently was involved, and whether the problem was national in scope.

We began a preliminary investigation believing that vehicle theft was largely a crime committed by amateurs which affected relatively few motorists. We quickly learned that it was not. It is a \$4 billion criminal activity for which the American public pays a substantial and increasing price. At this time, Mr. Chairman, I would like to enter into the record, a study prepared by the Department of Justice Criminal Division, dated March 1978 and entitled, "Memorandum on Determining Cost of Motor Vehicle-Related Theft." According to this memorandum, vehicle theft insurance losses account for almost \$3 billion of the annual cost, and another billion dollars is spent each year in criminal justice system costs.

Senator Percy. Without objection, that will be entered as exhibit 1.

Mr. MARKS. Thank you. Based upon our preliminary findings, in August 1978 under Senate Resolution 370, section 3, paragraphs 3 and 4, Senator Nunn, the then vice chairman of the subcommittee, and Senator Percy, authorized the staff to conduct a full-scale investigation into professional motor vehicle theft. And both the minority staff and the majority staff worked very closely together over a 15-month period, in a very nonpartisan effort, to try to get to the bottom of this problem. In the process we visited 28 cities; interviewed more than 100 persons, including law enforcement officials, representatives of the automotive and insurance industries, legitimate salvage yard owners, and Federal, State, and local officials. And, in order to get to the real root cause of the problem, we interviewed a number of car and pickup truck thieves.

A motor vehicle is stolen in this country every 32 seconds. In 1978, close to 1 million motor vehicles were stolen in the United States. That represents a 50-percent increase since 1967 in the number of vehicles stolen. The 1978 figure promises to increase significantly in 1979, as Senator Cohen has told us for his own State of Maine and the rest of the Nation.

I would like to submit for the record a copy of the FBI Uniform Crime Reports for the first 6 months of 1979. This report demonstrates that motor vehicle theft increased an alarming 13 percent in the first 6 months of this year over the corresponding period in 1978. These figures include the theft of automobiles, vans, pickup trucks, tractor-trailer trucks, buses, and four-wheel-drive vehicles. The large majority of these stolen vehicles, however, are automobiles.

Vehicle theft is growing in epidemic proportions in many cities, large and small, which in the past were not thought to have serious vehicle theft problems. For example, according to the Uniform Crime Reports, Mr. Chairman, in Atlanta the theft rate is up 36 percent from last year. Savannah has suffered an astounding 112 percent increase. In Rockford, Senator Percy, motor vehicle theft increased 66 percent during the first 6 months of this year.

Senator Percy. That is Rockford, Ill.?

Mr. MARKS. Rockford, Ill.; that is correct. In addition, vehicle theft has increased by 51 percent in Albuquerque, N. Mex.; 59 percent in Beaumont, Tex.; 51 percent in Houston, and 47 percent in Dallas; 43 percent in Cedar Rapids, Iowa; 68 percent in Chattanooga, Tenn.; 44 percent in Raleigh, N.C.; 43 percent in Honolulu, Hawaii; 38 percent in Madison, Wis.; 31 percent in Miami, Fla.; 59 percent in Newark, N.J.; 31 percent in Omaha, Nebr.; 45 percent in Tempe, Ariz.; and 42 percent in Tulsa, Okla. But motor vehicle theft is not a problem confined to the urban centers. According to the Uniform Crime Reports, motor vehicle theft is the fastest growing crime in rural America.

The most revealing statistic, however, is not the vehicle theft rate, but the recovery rate, or the number of stolen vehicles recovered by police. According to the Attorney General's Office, in 1967 86 percent of the value of all stolen vehicles were recovered. In 1978 only 61 percent of the value were recovered. This figure dramatically demonstrates

that auto theft is no longer solely a crime committed by joyriding teenagers who steal a car for Saturday night entertainment. Motor vehicle theft is now increasingly a crime committed by professionals for one purpose—money.

I would like to submit for the record a copy of a Department of Justice Criminal Division report titled "Relevant National Statistical Data Relating to Auto Theft Problem As Extracted From the Uniform Crime Reports for 1960-78." Another indicator of the professionalization of vehicle theft is that the juvenile arrest rate for vehicle theft has declined 25.3 percent since 1967, while the percentage of adults arrested for motor vehicle theft increased 29.7 percent over the same period.

When a professional steals a vehicle it is not recovered. Often the vehicles are dismantled in chop shops and the stolen parts sold for exorbitant profits. At this time I would like to enter into the record a report entitled "Organized Auto Theft," dated July 1979, published by the National Association of Attorney Generals. According to the report, chop shop operations nationwide present "a major assault on the citizen's ownership of his automobile." I would also like to submit for the record "Auto Thefts: A Low Risk, High Profit Crisis in New York State," a report by the New York State Senate Committee on Transportation. The report cites estimates by New York City Police officials that in 1976 at least 55 percent of the stolen vehicles in that city were stolen for their parts.

In addition to chop shops, professionals known as "retag" operators steal cars and, by switching vehicle identification numbers, or VINS, give the stolen vehicle a new identity. They then sell the car to an unsuspecting consumer by simply advertising in the classified section of the local newspaper. This morning we have as our first witness a former professional thief who was known as one of the best retaggers in the business. In the next 5 days of hearings we will have a number of other "inside" witnesses who will explain both the chop shop and the retag operation.

Chicago, New York, Houston, and Boston have the most serious and entrenched professional vehicle theft problem. For 1977, 1978, and 1979 model vehicles, Chicago leads the Nation both in the number of unrecovered vehicles and the dollar value of the losses. In New York the loss is valued at \$75 million, in Houston \$60 million, and in Boston a loss of \$41 million. I would like to submit for the record a copy of the FBI Monthly Vehicle Theft Analysis for 1977, 1978, and 1979 model motor vehicles.

Chairman NUNN. Without objection.

Mr. MARKS. In spite of such statistics, many people view vehicle theft as a victimless crime. After all, owners of stolen vehicles are compensated for their losses by their insurance companies. But our investigation shows that virtually all motorists are affected in some way by vehicle theft. The billion dollar annual losses sustained by the insurance companies in paying vehicle theft claims are passed onto motorists in the form of increased insurance premiums.

Representatives of the major auto insurance companies have told us that the increase in vehicle theft is one of the most significant influences on the nationwide increase in the comprehensive insurance premium.

Several companies noted that in order to contain the cost of comprehensive coverage, which includes theft protection, they had encouraged motorists to purchase deductibles ranging from \$50 to as high as \$1,000. The higher the deductible, the more exposure the motorist faces from vandalism and damage left by joyriders. In other words, many motorists are paying more money to receive less coverage.

Even when someone who is insured has his car stolen, he often loses, because the cost of buying a new car, like many other consumer goods, continues to climb rapidly. Insurance companies, as standard policy, compensate the owner for the market value of the vehicle. For example, if a 1979 Oldsmobile Cutlass Supreme, two-door coupe, with standard features is stolen, the owner will receive approximately \$5,600 in compensation, according to the National Automotive Dealers Eastern Division Handbook. However, the cost of a 1980 Cutlass Supreme with identical features is now listed at \$7,440, including tax. The victimized owner must make up the difference of \$1,840, which can be very difficult in this inflationary economy.

In addition to these costs, there are other costs of vehicle theft which are sometimes overlooked. I submit for the record a study by the Law Enforcement Assistance Administration, the Department of Justice, and the National Criminal Justice Information and Statistics Service titled, "Criminal Victimization in the United States," which shows that motor vehicle theft is second only to robbery with injury as a crime-related cause of job absenteeism. Thousands of man-hours, translating into millions of dollars of reduced productivity, are lost each year because of vehicle theft.

Thieves are no longer content stealing the family car. The number of tractor-trailer rigs which are stolen is dramatically increasing. When a cab or an entire truck is stolen, trucking firms, many of which are self-insured, are forced to pass on the \$25,000 to \$80,000 loss to the consumer by charging higher prices for their services. This, in turn, increases the price of consumer goods. According to the FBI's "Monthly Vehicle Analysis," \$200 million worth of tractor-trailers stolen during 1977 and 1978 remain unrecovered.

At this point, Senator Percy, I would like to have Richard Shapiro, who is an investigator for the minority staff, conclude reading the staff statement.

Senator PERCY. The exhibits that you have mentioned will be properly identified and entered into the record at the conclusion of your remarks.

Do you also have some exhibits?

Mr. SHAPIRO. I may have one more.

After finding that professional motor vehicle theft, specifically chop shop and retnig operations, was an escalating problem in virtually every region of the country, we attempted to determine what factors caused this growth. We believe they are the creation of a lucrative illicit market for stolen parts, and the difficulties that law enforcement officials and prosecutors face in investigating, prosecuting, and convicting vehicle thieves.

An extremely lucrative illicit market for vehicle replacement parts has mushroomed in the 1970's. Instead of replacing damaged parts with new parts ordered separately from the factory, an increasing

number of vehicle repair shops began substituting stolen parts to repair damaged vehicles. This market developed for three major reasons.

First, replacement parts ordered direct from the manufacturers are extremely expensive. Replacement body parts are frequently priced as much as 400 percent above the pro rata price of the same parts as they originally came off the assembly line in a new car. For example, it now costs an astounding \$26,418 to purchase separately all the parts for a 1979 standard automobile with a sticker price of \$5,741, according to a study by the Alliance of American Insurers. Chop shops supply replacement parts to repair shops for as little as one-third the cost of new replacement parts.

Second, lengthy delays in the delivery of new replacement parts discourage repair shops from ordering new parts. In some cases, repair shops must wait weeks, and even months, before receiving customized replacement parts such as front ends, or doors from the manufacturers. In an effort to reduce the waiting period, repair shops have traditionally contacted legitimate salvage yards for used parts. However, these legitimate salvage yards do not always have the needed part in stock. Consequently, illegitimate yards, which order the theft of vehicles to obtain the requested parts, have flourished. A phone call to a salvage yard dealing with chop shop operators can cut the delivery time for a customized part to, in many cases, 1 day.

Third, repair shops incur much greater labor costs when repairing damaged vehicles with new replacement parts instead of stolen parts. For example, according to a repair shop owner in Pontiac, Mich., to repair a badly damaged car door, the repair shop must order approximately 30 separate pieces. These pieces must be assembled before the door can be placed on the damaged car. This assembly process takes 8 to 10 hours and costs around \$185 for labor. In contrast, the chop shop operation can deliver the door in one piece, requiring a bare minimum of time and labor to assemble.

The savings are obvious. It must be emphasized that in this chop shop process, the consumer saves nothing. The chop shops, and the salvage yards and repair shops which deal in stolen parts, all make a sizable profit. The consumer often pays the same price to have his car repaired with stolen parts as he does with parts purchased in the legitimate market.

The expanding illicit market does not fully explain why many law enforcement officials, as well as many professional vehicle thieves, believe that motor vehicle theft is the most attractive criminal activity in the United States today. The fact is, vehicle theft is a low risk crime.

A hard-working thief can earn several hundred thousand dollars annually, tax free. The risk of being caught in the act is minimal. In spite of the automotive industry's attempts to improve vehicle security, the professional can steal the vehicle of his choice in less than 2 minutes.

The risks are even further reduced by the lack of investigative manpower devoted by local law enforcement to vehicle theft investigations. Even though the nature and severity of the problem have escalated dramatically in the 1970's, local law enforcement has not adequately responded to the problem. Few major cities have increased the size of

their auto theft units in the past 10 years. Several have actually decreased the size of their auto theft units. Nationwide, while the number of thefts increased 50 percent between 1967 and 1978, the number of arrests declined 8.6 percent during the same period. Clearly, this must change if the problem is to be reduced.

After a vehicle is stolen, if the thief decides to dismantle or chop the car and sell its parts, there is again little likelihood of apprehension. The reason is simple. The vehicle parts in greatest demand are body parts—doors, front ends, and rear clips. However, these parts carry no identifying numbers. Therefore, even if a law enforcement officer stops a known vehicle thief hauling a truckload of late model body parts he believes are stolen, he cannot prove it. The likelihood is that those same stolen parts will be sold to a body shop and used to repair some unsuspecting motorist's vehicle.

Even if a thief gets caught and convicted, the risks of incarceration are very small. Like the public at large, many judges view vehicle theft as property crime that claims no victims and is committed by rank amateurs. As a consequence, vehicle thieves assume that they will be sentenced to pay only a small fine or be placed on a short term of probation for the first one or two convictions. They do not fear being put in jail.

Economics of scale have dictated the large-scale growth of the illicit business in stolen parts. Instead of smalltime operators stealing a few vehicles and selling parts locally, chop shops and crooked salvage yards have expanded, cultivating new clients and interstate markets for their stolen parts. They have a product in great demand which they are willing to sell at bargain prices. Marketing is easy. They have increased their efficiency, and developed more sophisticated methods of stealing, dismantling, and distribution to meet ever-increasing demand for stolen late-model body parts.

Later this morning we'll see some of these stealing techniques demonstrated.

Professional motor vehicle theft is a crime of high profit and low risk. In past hearings, this subcommittee has demonstrated that where these two elements coincide, organized crime is there to take its share. If we do not act to change things, organized crime will seize control. As we have seen in the past, once organized crime establishes control, their operations become so entrenched, so tightly organized, that eradication of the criminal activity becomes a virtual impossibility.

In the next few days, we will hear detailed accounts of how organized crime in Chicago has taken over that area's chop shop operations through violence and intimidation. We will also hear about crime's involvement in chop shop operations in New York City.

Coordinated enforcement measures must be taken now or vehicle theft will continue to climb steadily as the recovery rate continues to plummet. If not, increasing insurance costs for theft coverage will be the "tribute" paid by the American consumer to the professional thieves.

These issues will be discussed in detail during the next 5 days of hearings. The subcommittee staff has also been looking into the related vehicle theft problems of insurance fraud, and the exportation of stolen vehicles. While these topics will not be given as much at-

tention as chop shops or retag operations in these hearings, we hope to continue our investigation in these areas and present our findings at a later time.

[The documents referred to in the staff statement were marked "Exhibit Nos. 1 through 7" for reference. Exhibits 4 and 5 may be found in the files of the subcommittee. Exhibits 1, 2, 3, 6, and 7 follow:]

EXHIBIT No. 1

MEMORANDUM ON DETERMINING COSTS OF MOTOR VEHICLE RELATED THEFT

(Prepared by Criminal Division, U.S. Department of Justice, Washington, D.C., March, 1978)

PART I—VARIOUS COSTS ASSOCIATED WITH MOTOR VEHICLE RELATED THEFT

We have listed in this part the kinds of various forms of costs borne by the consumer and taxpayer for motor vehicle related theft. In part II we try to provide some actual monetary estimates on some of the basic "hard" costs. Besides listing in the first part the various kinds of costs, we have provided a few comments on the costs we have listed. It should be noted that this memorandum was not prepared by economists, but lawyers. The rounding out of it we leave to further review and study by others more qualified than ourselves.

The various costs listed in Part II are believed to be on the conservative side. It would not be surprising, however, if appropriate surveys and analysis could be conducted—especially in regard to insurance costs, that the total cost to the consumer and taxpayer for the prevention, detection, prosecution, punishment, restitution, replacement and other costs involved with motor vehicle related theft was easily in the neighborhood of \$1 billion per year. As such, it involves a serious burden on the human, financial, and energy resources of the nation.

I. COST OF SECURITY FEATURES INCORPORATED IN THE MOTOR VEHICLE BY THE MANUFACTURER

*Comment.* We have been unable to determine the costs to the manufacturer in installing various devices to the vehicle which have an anti-theft function. Such devices would include the various locks for the ignition, hood, doors, trunk, and storage compartments, necessary keys for such, and numbering systems used to identify the vehicle and certain components. Most of these features serve additional purposes besides anti-theft. For instance, the door must be locked for safety purposes to guard against passenger accidentally falling out of a moving vehicle. Door locks are also necessary to prevent intruders from entering the vehicle to assault the driver or passenger(s). The present public VIN number besides having anti-theft purposes helps to control the identity of the vehicle for inventory and recall purposes. Accordingly, the various pro-rated share of the vehicle cost attributable solely to anti-theft purposes is a complex matter. It goes more to the quality of the device and systems design than the presence of the actual device itself. While no costs have been given us we would be surprised if the existing anti-theft share of the costs exceeds \$20 per vehicle.

(If this is incorrect we would appreciate appropriate data thereon.) Considering that the average new car sells for over \$5,000, the cost to the consumer is rather minuscule (.4 percent). Since nearly 10 million new motor vehicles were sold in the United States in 1970, the national cost for anti-theft features was \$200 million. It is our belief that for less than \$10 more per vehicle additional improvements can be made to existing locking systems and additional numbering of certain key components which would have drastic effect on the motor vehicle related theft problem. We believe that the changes mandated by Standard 114 in 1970 actually cost a small amount of money per vehicle to implement. But these changes certainly helped to stop the growth of the vehicle theft rate of the 1960's. The genius of the American manufacturing system is that it is quickly able to reduce the costs of any system it is required to have on the vehicles. Anti-theft features would benefit from such know how.

The Arthur D. Little Company is presently conducting an extensive study aimed to improve the security systems of the motor vehicle. One of its goals

is to design the vehicle so that it takes 10 minutes of rather open effort by the thief to mobilize the vehicle assuming the thief does not have access to the keys or code necessary to mobilize the car.

Several intriguing concepts have been raised which would involve slight modification to current locking systems and, hence, little or no additional cost to the consumer. One of the latter is to rotate the position of the present ignition lock on the steering column 90 degrees so it is on top instead of on the right side. Presently one of the favorite methods of mobilizing a vehicle by thieves is the use of the slide hammer. This is a device used to pull the ignition lock out of the steering column to free the steering wheel. At the present time the thief can keep a low profile as he uses the device which use would be parallel to the dashboard and most likely partially shielded thereby. It could take over 60 pulls to free the lock. By rotating the ignition lock 90 degrees to the top, use of the device would become more visible. In addition, the roof of the car and/or the windshield would restrict the area in which the device could be used thereby reducing the leverage obtainable on each use. Such would either extend the time necessary to pull the ignition (under more visible circumstances) or even prevent the removal because of insufficient leverage being generated.

Another concept being expressed is to make the ignition wires and steering locking mechanism unaccessible from the passenger compartment even after the ignition lock gets pulled. This would force the thief to go to another part of the car to start the motor and free the steering wheel. The location will probably be somewhere in the engine compartment. A suggestion has been made that a very logical place to have the ignition control mechanism, at least for automatic transmission vehicles, would be encased in the starter. Other equally possible logical sites are the transmission, steering box, or engine. Thus, the thief would be further frustrated and required to use some heavy equipment to overcome this fortress like defense. While professional thieves could develop such capacity, most amateur thieves would be unlikely to do so. The costs of such added defenses is not considered to be substantially above current costs.

## 2. COST OF ADDITIONAL SECURITY FEATURES RETROFITTED TO THE MOTOR VEHICLE BY THE OWNER

*Comment.*—We have no figures on the national cost of such devices. There is no doubt that they, like all retrofitting, are more expensive than if incorporated into the original manufacturing. The State of Massachusetts allows various discounts on the comprehensive rate for different types of devices.

This program has been effective since 1976. A statistical review of the devices utilized in Massachusetts could be meaningful in that it might determine the value of such devices and whether they help to prevent vehicle theft or merely transfer the theft to unprotected vehicles. Even if the latter, the owner of the protected vehicle has at least taken steps to protect himself from the other costs of becoming a victim of motor vehicle related theft.

## 3. COST OF ANTITHEFT MEASURES IN THE MOTOR VEHICLE TITLING AND REGISTRATION PROCESS

*Comments.*—These costs involve the various records checks which must be made, inspection of identification numbers actually on the vehicle, security paper for title documents to guard against counterfeiting or forgery, storage safeguards over blank documents, examination for possible counterfeiting or forgery of old title certificates surrendered for retitling and other anti-theft measures. Since each of these features also serves other purposes such as revenue collecting, recording of liens, record integrity, vehicle safety, etc., the purely anti-theft share of the cost of such steps is hard to determine. We have seen no estimates on the existing anti-theft costs but we assume they are in the neighborhood of \$1 per car.

In 1970, nearly 10 million new vehicles were titled in the United States. We estimate that these 10 million new car sales generated 15 million retitling of used vehicles. In addition, a retitling takes place when an owner moves from one state to another and has to retitle his vehicles in the new state. There is no figure on how many such titlings occur. It could, however, be extensive and we will make an assumption it is 15 million. This would mean that there are nearly 40 million titlings a year. Since there were little over 110 million passenger vehicles registered in the United States in 1976, the number of titles issued does not seem unreasonable. If the \$1 figure for anti-theft cost is correct this would

to a present cost of \$40 million. Admittedly the anti-theft costs for used cars and out-of-state retitling situations would be more expensive than new car titling because the latter would require fewer steps. The various recommended changes to the titling process that we and others have made would add some cost to the titling process. It could be as much as \$1 per title. This would mean that better anti-theft measures in the titling process could cost nationally as much as \$40 million more.

#### 4. COST OF OTHER ANTI-THEFT MEASURES

*Comment.*—There are other costs incurred by the owner relating to anti-theft costs. Again these costs have several purposes. It would be difficult to prorate the theft portion. But some such costs include garaging (both the capital costs of a garage in a private home situation and the monthly parking fee for apartment dwellers) expenditures for street lighting, and control over disaster keys and key codes. There would be others. We know of no way of ascertaining the exact amount for such costs.

#### 5. COST OF OWNER INCONVENIENCE

*Comment.*—In order to help prevent himself from being victimized the owner constantly has to limit his choices of action. His freedom is restricted. The owner has to lock the car, park it in a secure area, remove the keys, activate a security device if such exists, remove packages, etc. It is difficult to measure this form of cost but it is real.

#### 6. COST OF STOLEN VEHICLES NOT RECOVERED

*Comment.*—We cover this in Part II. We estimate this cost to be \$653,544,460.

#### 7. COST OF STOLEN VEHICLE CONTENTS AND/OR ACCESSORIES VALUE NOT RECOVERED

*Comment.*—We cover this in Part II. We estimate this cost to be \$418,724,060.

#### 8. COST OF CRIMINAL JUSTICE SYSTEM

*Comment.*—This includes the total expenditures by federal, state, and local governments for all forms of law enforcement including the police, courts, prosecution, prisons, probation, etc. We cover this cost in Part II. We estimate it to be \$043,041,520.

#### 9. COST OF INSURANCE NOT REIMBURSED IN FORM OF CLAIMS

*Comment.*—We call this the insurance overhead factor. We cover it in Part II. We estimate for vehicles alone the cost is \$143,873,490 which we feel is very conservative. The cost for insurance overhead for all motor vehicle related theft could easily be \$250 million.

#### 10. COST OF ACCIDENTS INVOLVING A STOLEN VEHICLE

*Comment.*—We cover this cost in Part II. We estimate it

#### 11. COST OF RECOVERY NOT PAID FOR BY INSURANCE OR LAW ENFORCEMENT

*Comment.*—Once a stolen vehicle is located by law enforcement, costs start to be incurred to store it and regain it. The owner has to pay some of these costs if his insurance or law enforcement does not. We have no idea as to the total amount but the figure is probably quite large.

#### 12. COST OF REPLACEMENT REDUCED BY THE VALUE RECOVERED OR REIMBURSED BY INSURANCE

*Comment.*—This is a real cost to the victim. He must go into the marketplace to purchase a replacement. Often this cost is many times the value of the property at the time of theft. For example, a tape recorder cost \$100 when it was bought 3 years ago. Through use and depreciation its value at the time of theft was \$50. It is not recovered. Because of inflation and product improvement, the market price for a similar recorder may now be \$150. While the victim does get a newer product, he has still been forced to expend his funds which he had in most situations not planned to do.

The same example works for the theft of the vehicle. The car was purchased for \$5,000 3 years ago. Its value at time of theft was \$3,200. To get a similar new replacement the victim might have to pay over \$8,000. This is nearly 100 percent more than the actual value of the stolen property. We have no idea as to what the figure would be for replacement cost but a figure around 100 percent of the value at time of theft would not be surprising.

13. COST TO REPAIR A RECOVERED VEHICLE BEYOND THE DIFFERENCE OF ITS CASH VALUE AT TIME OF THEFT AND ITS VALUE AT TIME OF RECOVERY

*Comment.*—A recovered stolen motor vehicle has often suffered a defalcation to the value it had at the time of its theft. But, the vehicle can be rebuilt. Nevertheless, to do so usually costs more than the value of the stolen or damaged part because replacement parts are usually more costly than the original part and a labor charge is involved. A portion of the repair cost is covered in item No. 9 above (i.e. value of the vehicle not recovered). However, the additional cost of repair beyond the value of the stolen or damaged part is a real cost. We have no hard estimate on this cost but it could be as much as \$300 million. To the extent this additional cost of repair is covered by insurance, it would also increase the insurance overhead factor as described in item No. 9 above and footnote No. 10 in Part II. One estimate we have seen for national cost per vehicle of one national insurance company for the portion of comprehensive insurance relating to theft is \$11 per vehicle.

Since there are nearly 110 million registered passenger automobiles in the country, this would mean, assuming all automobiles carried such coverage, that \$1,210 million would be paid in insurance premiums by the consumer for such purpose. The insurance overhead factor would be around \$200 million (17 percent). This would mean that insurance claims of a \$1 billion a year are paid to policyholders for automobile theft situations. Since we estimate the costs of stolen vehicles not recovered by law enforcement to be \$683,644,400, this \$1 billion figure does not seem unreasonable because of several factors including the repair and recovery factors as described above.

There is some belief that the \$11 figure cited above for the national average theft insurance premium for passenger automobiles may be too low. If so, for each additional \$1 there would be an additional \$110 million of costs to the consumer. It should be noted that the 110 million passenger automobile figure does not include the nearly 30 million trucks, buses, and other road vehicles in the country. Nor does it include the insurance premiums paid for theft coverage for the more costly "off-road" vehicles utilized in the construction and farming industries.

14. VICTIM INCONVENIENCE

*Comment.*—Anyone who has ever been a victim of crime knows its burdens. In motor vehicle related theft there is the loss of the use of the vehicle or contents some of which may have involved a sense of pride or "love." There is the time spent in negotiations with insurance companies, repair shops, new car dealers, etc. These experiences are usually not on a high level of personal enjoyment. In addition, there is time spent in testifying in judicial proceedings. We can give no dollar value for this cost but it too is real.

15. COST OF LITIGATION NOT PAID FOR BY INSURANCE OR LAW ENFORCEMENT

*Comment.*—This involves the cost of private counsel retained in criminal cases by defendants as well as some civil litigation expenses. We have no idea as to the total amount of this cost.

16. COST TO SOCIETY OF TENS OF THOUSANDS OF JUVENILES BEING INTRODUCED EACH YEAR INTO MORE SERIOUS CRIMINAL ACTIVITY

*Comment.*—Over 100,000 juveniles (persons under 18) were arrested for motor vehicle theft in 1970. Thousands of others were never apprehended (the solution rate was only 14.1 percent). While less serious, over 200,000 juveniles were probably arrested for larcenies relating to the theft of the accessories or contents of the motor vehicle. We have no way of estimating the financial loss to society by this cost.

17. COST OF OTHER CRIMES COMMITTED OR FACILITATED BY USE OF STOLEN VEHICLE

*Comment.*—We have no good figures on this. But it is well known that stolen motor vehicles are used as getaway vehicles for robberies, used in narcotics smuggling,

gling, and often used by interstate "paper hangers" to move from one location to another.

18. COST TO LEGITIMATE BUSINESS WHICH IS ELIMINATED OR RESTRICTED BY PROFESSIONAL CRIMINAL INVOLVEMENT

*Comment.*—The law abiding automotive dismantlers and recyclers state they are being driven out of business by "chop shops". In New York City 300 of the 400 dismantlers are not licensed. All forms of government taxes such as income, property, and sales taxes are being lost. Licensee fees are not being paid. Legitimate jobs are lost. Social security taxes are probably not withheld on the jobs in the illegal chop shops. The growing theft of construction equipment has interfered with performance of contracts. (The theft of construction equipment is surely professional. There would be little "joyriding" in this area.) While some contend that the services of "chop shops" cut cost to the consumer, this appears unlikely. Although it might shorten the time and anguish for the victim of an accident to get his car repaired, such "convenience" has only been transferred to the inconvenience of the owner of the stolen vehicle. In regard to repair cost, it is not likely that the body repair shop will charge the accident customer too much below the going market price for such legitimate repairs. So whatever economic "savings" there may be, their amount is minimal. Furthermore, the overall cost to legitimate business and the government's own treasures could be staggering but we are not in a position to estimate such costs at this time.

19. COST TO GOVERNMENTAL INTEGRITY BY PAYOFFS TO OBTAIN CONFIDENTIAL INFORMATION OR TO AVOID DETECTION/PROSECUTION

*Comment.*—We have no figures on this cost. But continuing professional crime must make payoffs to survive. As such, it is a cancer gnawing at the public's servants.

20. COST TO LIFE AND LIMB

*Comment.*—In recent years there is increasing evidence that auto theft is turning violent as the criminal war lords fight for control over its profits. There is clear evidence of this in Chicago. In New York City the proliferation of chop shops constitutes a fire hazard to those who work in them and reside nearby. Stolen vehicles containing gasoline in the tanks are cut up. Fires have occurred. In addition, so chop shop operators after filling their leased premises with the carcasses of the unusable vehicular parts, torch the building to destroy evidence and terminate the lease. Moreover, it is estimated that the use of stolen vehicles account for 134 traffic deaths and 1,330 personal injuries each year. We have no dollar figure for this cost.

21. COST OF THE USE OF STOLEN MOTOR VEHICLES OR ITS PROCEEDS TO BANKROLL OTHER ILLEGAL ACTIVITY

*Comment.*—Law enforcement believes that more and more the value of the stolen motor vehicle is being used to finance other illegal activities such as narcotics. For example, along the Mexican border stolen vehicles are reportedly bartered for narcotics. We have no dollar figure on this cost.

PART II

HARD COSTS OF MOTOR VEHICLE RELATED THEFTS

	Vehicles	Contents/ accessories	Total
Value of repaired thefts.....	\$1,667,101,600	\$459,643,000	\$2,126,044,600
Value of unreported thefts.....	(1)	(1)	Unknown
Value of recovered thefts.....	\$983,637,140	\$45,918,356	1,029,555,476
Value of unrecovered thefts.....	603,544,460	413,724,660	1,097,269,120
Criminal justice system costs.....	\$200,600,000	\$734,441,520	\$943,041,520
Insurance overhead costs.....	\$143,373,480	Unknown	\$143,373,480
Accident costs.....	\$60,600,000	None	\$60,600,000
Total.....	1,025,117,950	1,149,166,180	2,244,264,130

1 This figure was obtained by multiplying 957,600 (times \$1.74). Because of the nature of the Uniform Crime Report's (UCR) reporting system the actual number of crimes involving a theft of a motor vehicle would exceed the 957,600 reported

in the UCR in 1976 under motor vehicle theft since thefts of motor vehicles in a higher class criminal offense, such as a burglary or robbery, would be listed as property obtained in that lesser offense and not as being obtained during a pure motor vehicle theft. The \$1,741 is the average value for a motor vehicle theft listed by UCR for 1976. It should be noted that such value is a combination of the value for the vehicle and its contents at the time of theft. The portion relating to contents value is not specified by the UCR. But the figure is probably around or less than \$216 which is the UCR 1976 figure for the average value of a vehicle content theft where the vehicle itself is not stolen.

<sup>2</sup> The UCR reports that in 1976, 22.3 percent of all larcenies reported to law enforcement were thefts of motor vehicle accessories and that 20.1 percent of all larcenies were thefts of motor vehicle content. The average value in 1976 for accessories theft was \$134 and for a motor vehicle contents theft was \$216. Accordingly, if \$134 is multiplied times 22.3 percent of the 6,270,800 larcenies in 1976 and added to \$216 times 20.1 percent of the 6,270,800 larcenies, the \$459,643,000 is obtained.

<sup>3</sup> We have no idea on the value of stolen motor vehicles which are not reported to law enforcement. We would assume that the figure would not be too extensive because of the requirement of insurance companies that the policyholder report any vehicle theft to law enforcement. We also assume that any high value vehicle is probably insured and if not insured, its theft would undoubtedly be reported to law enforcement by the owner.

<sup>4</sup> We have no idea on the value of stolen motor vehicle accessories or contents which are not reported to law enforcement. However, because of the various deductible provisions in comprehensive insurance coverage, it would be reasonable to assume that some small value thefts are not reported to law enforcement because the victim has not bothered to report such to his insurance company and sees little utility in reporting it to law enforcement. We, however, hesitate to estimate a figure.

<sup>5</sup> This figure is obtained by multiplying 59 percent, the value recovery rate for stolen vehicles listed in the UCR, times \$1,657,181,600. Since the 59 percent is the 1976 UCR figure only for vehicle recovery to the extent that the \$1,657,181,600 represented content value, the \$982,837,140 is probably an overstatement of the true value being recovered since the recovery rate for all other nonmotor vehicle forms of property is around 10 percent.

<sup>6</sup> This figure was obtained by multiplying \$459,643,000 by 9.99 percent. The latter figure, which is extrapolated from 1976 UCR table 19, is the recovery rate for all other forms of stolen property, other than the motor vehicle itself. The higher rate for the recovery of the motor vehicle is explained by the fact that it carries some identification numbers which can be traced to the owner. The vehicle itself is also registered with the State's bureau of motor vehicles which helps to locate the owner by providing his address and other information.

<sup>7</sup> This figure is probably an understatement. It was obtained by multiplying the ratio of arrest for motor vehicle theft in 1976 (134,400) to total arrests in 1976 (9,608,500) (which is 1.40 pct) times the total expenditures for the criminal justice system of \$14,900,000,000. The \$14,900,000,000 is a 1974 figure from the Statistical Abstract of the United States—1976, U.S. Department of Commerce, Bureau of the Census, Washington, D.C., 1977, 97th annual ed., p. 164. Undoubtedly the figure for 1976 will be higher. This figure includes Federal, State, and local expenditures for all law enforcement including police, judicial, legal, and corrections. It is acknowledged that the use of arrests to determine law enforcement's expenditures on auto theft may be on the lower side because law enforcement spends a considerable amount of funds locating and returning stolen vehicles to their owner regardless of whether any arrest or prosecution takes place. Since nearly 700,000 vehicles are recovered by law enforcement yearly, if one assumes a recovery cost of \$100 per unit which does not seem too high, there would be a recovery cost to law enforcement in the neighborhood of \$70,000,000. Also the motor vehicle theft crime involves a substantial use of the computer services available and utilized by law enforcement. Hence, the figure cited of \$208,669,600 may be a gross under evaluation.

<sup>8</sup> This figure was obtained by assuming that since 42.4 pct of all larcenies reported to law enforcement involve the contents and/or accessories of the motor vehicles, that 42.4 pct of all arrests for larceny were related to such offenses. Since there were 1,117,300 arrests for larceny in 1976, this would mean that 473,735 arrests were for thefts of contents or accessories. The arrest figure 473,735 was divided by the total arrest figure of 9,608,500 in 1976 to get a ratio of 4.93 pct. This ratio was then multiplied times the \$14,900,000,000 figure explained in footnote 7. It is admitted that the \$734,441,520 figure could be somewhat high.

<sup>9</sup> This combined figure was obtained by adding the 2 separate figures for vehicle theft and for contents and accessories theft. While the figure of \$734,441,520 for contents and accessories theft may be high, it should be noted that we have not included in our compilation any arrests for dealing in stolen property which accounted for 111,600 arrests in 1976. Since automobile related theft constitutes the bulk of all larcenies (nearly 50 pct) and larceny along with motor vehicle theft comprise nearly 70 pct of all property crime (burglary being the other 30 pct), it is more than reasonable to assume that in the arrests for dealing in stolen property a significant portion involved stolen property which was a stolen vehicle, or accessories or contents stolen from a vehicle. Furthermore, because a motor vehicle is more subject to positive identification than most other forms of stolen property, dealers in such property are more likely to be detected. It is a fair assumption that the combined \$943,041,520 figure is a reasonable estimate. As indicated in footnote 7, the estimate for law enforcement costs for motor vehicle theft itself is undoubtedly on the low side.

<sup>10</sup> This figure is probably too low. It is based upon a figure taken from the Statistical Abstract of the United States—1976 which shows that approximately 83 pct of the theft portion of comprehensive coverage is paid to the insured on claims. The remaining 17 pct is for the administrative costs of the insurance company, its profit, etc. This rate does not seem unreasonable. Assuming that the unrecovered vehicle theft (\$682,544,460) was insured, we estimated this insurance overhead cost at \$143,373,490. The true figure is probably higher. This is so because in a large number of situations of recovered vehicles the insurance company has probably paid off the policyholder and this has been transferred to the insurance company. Accordingly, the insurance companies would have similar overhead expense in such situations. We have, however, no way of estimating such cost presently available to us.

<sup>11</sup> We have no idea as to the exact amount of vehicle comprehensive or homeowners theft coverage paid for content or accessories theft. It is not unreasonable that the overhead costs should be around 17 pct while we are hesitant to give an actual estimate of this cost, a figure in the neighborhood of \$80,000,000 for insurance overhead would not be surprising.

<sup>12</sup> The \$50,500,000 figure was determined by some extrapolation. An LEAA study reported that 1 out of every 350 accidents involves a stolen car. The National Safety Council reports a total cost for all motor vehicle accidents to be \$21,200,000,000 for 1976. If \$21,200,000,000 is divided by 350, you get approximately \$60,600,000.

## EXHIBIT No. 2

THE LIBRARY OF CONGRESS,  
CONGRESSIONAL RESEARCH SERVICE,  
Washington, D.C., October 15, 1979.

To: Senate Permanent Subcommittee on Investigations  
Attention: Stephanie Grill.  
From: Barbara McClure, Analyst in Social Legislation, Education and Public  
Welfare Division.  
Subject: Motor vehicle theft statistics.

As you requested, the following is a listing of the percent increase or decrease in motor vehicle thefts, as reported by the FBI, for the first half of 1979 as compared to the first half of 1978, for 178 cities with over 100,000 population.

City:	Percent change
Abilene, Tex.....	+8
Akron, Ohio.....	-4
Albany, N.Y.....	-32
Albuquerque, N. Mex.....	+51
Alexandria, Va.....	+32
Allentown, Pa.....	+30
Amarillo, Tex.....	-12
Anaheim, Calif.....	+88
Anchorage, Alaska.....	+30
Ann Arbor, Mich.....	-27
Arlington, Tex.....	+47
Arlington, Va.....	+5
Atlanta, Ga.....	+30
Aurora, Colo.....	+26
Austin, Tex.....	+35
Baltimore, Md.....	+20
Baton Rouge, La.....	+15
Beaumont, Tex.....	+50
Berkeley, Calif.....	+20
Birmingham, Ala.....	+6
Boise, Idaho.....	-1
Boston, Mass.....	+21
Bridgeport, Conn.....	-17
Buffalo, N.Y.....	-11
Cambridge, Mass.....	+25
Canton, Ohio.....	+2
Cedar Rapids, Iowa.....	+48
Charlotte, N.C.....	+4
Chattanooga, Tenn.....	+68
Cheektowaga, N.Y.....	-23
Chesapeake, Va.....	+12
Chicago, Ill.....	+7
Cincinnati, Ohio.....	+24
Cleveland, Ohio.....	0
Colorado Springs, Colo.....	+16
Columbia, S.C.....	+7
Columbus, Ga.....	+3
Columbus, Ohio.....	+13
Corpus Christi, Tex.....	+21
Dallas, Tex.....	+47
Davenport, Iowa.....	+20
Dayton, Ohio.....	+20
Denver, Colo.....	-8
Des Moines, Iowa.....	+4
Detroit, Mich.....	+8
Durham, N.C.....	+17
Elizabeth, N.J.....	+31
El Paso, Tex.....	-13
Erie, Pa.....	-20

City—Continued	Percent change
Eugene, Oreg.	-5
Evansville, Ind.	+10
Fall River, Mass.	+0
Flint, Mich.	-3
Fort Lauderdale, Fla.	+20
Fort Wayne, Ind.	+25
Fort Worth, Tex.	+18
Fremont, Calif.	+20
Fresno, Calif.	+22
Garden Grove, Calif.	-2
Garland, Tex.	-5
Gary, Ind.	-2
Glendale, Calif.	+10
Grand Rapids, Mich.	+20
Greensboro, N.C.	+41
Hammond, Ind.	-1
Hampton, Va.	+56
Hartford, Conn.	+4
Hialeah, Fla.	+12
Hollywood, Fla.	-11
Honolulu, Hawaii	+43
Houston, Tex.	+51
Huntington Beach, Calif.	+8
Huntsville, Ala.	+37
Independence, Mo.	+32
Indianapolis, Ind.	-11
Irving, Tex.	+72
Jackson, Miss.	+43
Jacksonville, Fla.	+8
Jersey City, N.J.	+17
Kansas City, Kans.	+31
Kansas City, Mo.	+18
Knoxville, Tenn.	+24
Lakewood, Colo.	-2
Lansing, Mich.	+18
Las Vegas, Nev.	+31
Lexington, Ky.	+7
Lincoln, Nebr.	-23
Little Rock, Ark.	+20
Livonia, Mich.	-4
Long Beach, Calif.	+4
Los Angeles, Calif.	+0
Louisville, Ky.	+2
Lubbock, Tex.	-8
Macon, Ga.	-7
Madison, Wis.	+38
Memphis, Tenn.	+15
Mesa, Ariz.	+14
Miami, Fla.	+31
Milwaukee, Wis.	+19
Minneapolis, Minn.	-4
Mobile, Ala.	+1
Montgomery, Ala.	-22
Nashville, Tenn.	+22
Newark, N.J.	+50
New Bedford, Mass.	+40
New Haven, Conn.	-8
New Orleans, La.	+16
Newport News, Va.	-22
New York, N.Y.	+3
Norfolk, Va.	+7
Oakland, Calif.	+18
Odessa, Tex.	+20

City—Continued	Percent change
Oklahoma City, Okla. ....	+22
Omaha, Nebr. ....	+31
Orlando, Fla. ....	+20
Parma, Ohio ....	+0
Pasadena, Calif. ....	+4
Pasadena, Tex. ....	+18
Paterson, N.J. ....	-17
Peoria, Ill. ....	+1
Philadelphia, Pa. ....	+15
Phoenix, Ariz. ....	+10
Pittsburgh, Pa. ....	+0
Portland, Oreg. ....	-5
Portsmouth, Va. ....	-43
Providence, R.I. ....	-8
Pueblo, Colo. ....	0
Raleigh, N.C. ....	+44
Richmond, Va. ....	-2
Riverside, Calif. ....	-13
Roanoke, Va. ....	+47
Rochester, N.Y. ....	+15
Rockford, Ill. ....	+00
Sacramento, Calif. ....	-5
St. Louis, Mo. ....	+5
St. Petersburg, Fla. ....	+1
Salt Lake City, Utah ....	-4
San Antonio, Tex. ....	+27
San Bernardino, Calif. ....	+22
San Diego, Calif. ....	+0
San Francisco, Calif. ....	-5
San Jose, Calif. ....	+18
Santa Ana, Calif. ....	+31
Savannah, Ga. ....	+112
Shreveport, La. ....	+7
South Bend, Ind. ....	+8
Spokane, Wash. ....	+54
Springfield, Mass. ....	+57
Springfield, Mo. ....	+2
Stamford, Conn. ....	+1
Sterling Heights, Mich. ....	+0
Stockton, Calif. ....	-31
Sunnyvale, Calif. ....	-0
Syracuse, N.Y. ....	+0
Tacoma, Wash. ....	+21
Tampa, Fla. ....	+0
Tempe, Ariz. ....	+45
Toledo, Ohio ....	+10
Topeka, Kans. ....	+30
Torrance, Calif. ....	+10
Trenton, N.J. ....	+10
Tucson, Ariz. ....	+0
Tulsa, Okla. ....	+42
Virginia Beach, Va. ....	+24
Waco, Tex. ....	+10
Warren, Mich. ....	+41
Washington, D.C. ....	+12
Waterbury, Conn. ....	+13
Wichita, Kans. ....	-5
Winston-Salem, N.C. ....	+18
Worcester, Mass. ....	-20
Yonkers, N.Y. ....	-0
Youngstown, Ohio ....	+5

## EXHIBIT No. 3

RELEVANT NATIONAL STATISTICAL DATA RELATING TO AUTO THEFT PROBLEM AS  
EXTRACTED FROM THE UNIFORM CRIME REPORTS, FOR 1960-78

(Prepared By Criminal Division, U.S. Department of Justice, December 1979)

## 1978 UNIFORM CRIME REPORT OBSERVATIONS

1. Motor vehicle theft increased 2 percent in 1978, which was comparable to the increase for all property crimes.

2. The percent of those arrested for motor vehicle theft who were juveniles (i.e. under 18 years) dropped to 50.0 percent in 1978 as compared to 53.0 percent in 1977.

3. The arrest rate for motor vehicle theft in 1978 increased 17.3 percent over that in 1976 and 4.4 percent over that in 1977.

4. The recovery value rate of stolen motor vehicles held at 00.0 percent in 1978 as compared to 00 percent in 1977.

5. The percentage of stolen motor vehicles which were trucks and buses increased 20.3 percent in 1978 over 1977. (Since 1974 there has been an increase of over 75 percent in this category.)

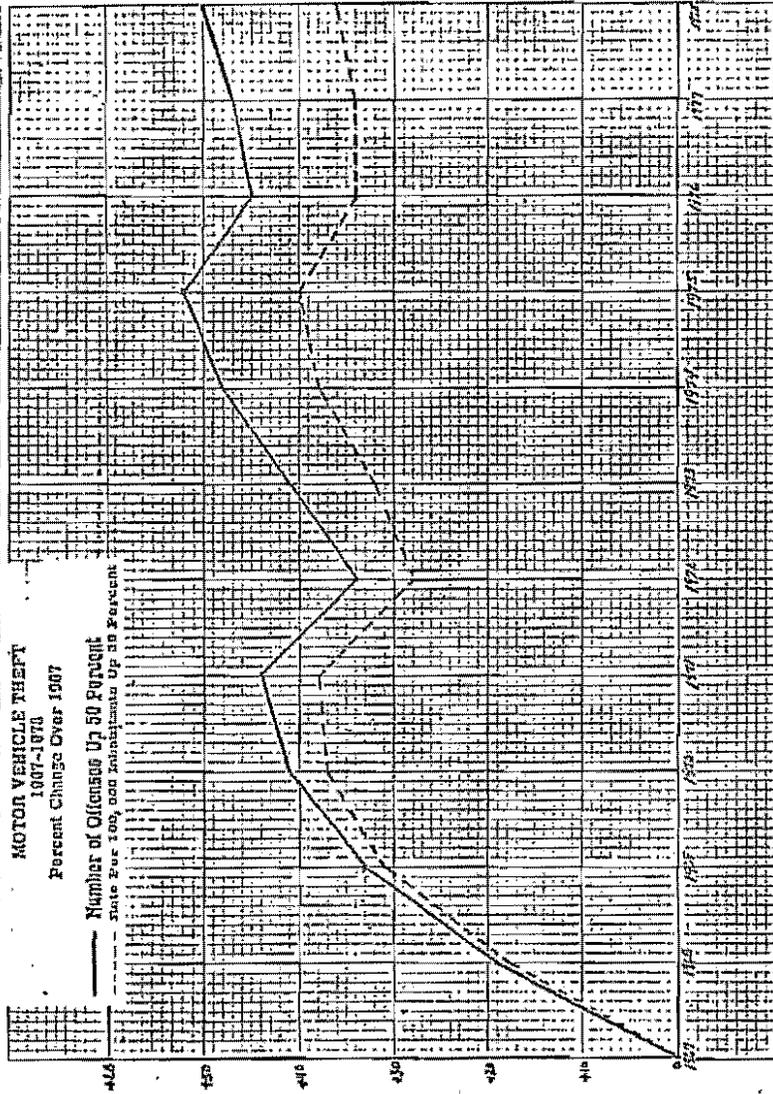
## INDEX OF PROPERTY CRIME, UNITED STATES, 1960-78

Year	Property crime		Burglary		Larceny-theft <sup>2</sup> (nonmotor vehicle)		Motor vehicle theft	
	Instances	Rate <sup>1</sup>	Instances	Rate	Instances	Rate	Instances	Rate
1960	3,095,700	1,726.3	812,100	508.6	1,055,400	1,034.7	328,200	183.0
1961	3,198,600	1,747.9	849,600	518.9	1,013,000	1,045.4	336,000	183.6
1962	3,450,700	1,857.5	994,300	535.2	2,089,600	1,124.8	336,800	197.4
1963	3,792,500	2,012.1	1,096,400	576.4	2,297,900	1,219.1	408,300	216.6
1964	4,200,400	2,197.5	1,213,200	634.7	2,514,400	1,315.5	472,600	247.4
1965	4,352,000	2,248.8	1,292,500	662.7	2,572,600	1,329.3	496,000	256.8
1966	4,793,300	2,450.9	1,410,100	721.0	2,022,000	1,442.9	551,200	285.9
1967	5,403,500	2,736.5	1,632,100	826.6	3,111,600	1,575.8	659,800	334.1
1968	6,125,200	3,071.6	1,856,900	932.3	3,402,700	1,746.6	768,600	393.0
1969	6,749,000	3,351.3	1,961,900	934.1	3,286,500	1,930.9	878,500	436.2
1970	7,359,200	3,521.0	2,205,000	1,084.9	4,225,600	2,079.3	928,400	456.0
1971	7,771,700	3,768.8	2,359,300	1,163.5	4,424,200	2,145.5	946,200	459.8
1972	7,413,900	3,560.4	2,375,500	1,140.8	4,151,200	1,993.6	887,200	426.1
1973	7,842,200	3,737.0	2,565,400	1,222.5	4,347,300	2,071.9	920,000	442.6
1974	9,270,700	4,389.3	3,039,200	1,437.7	5,262,500	2,489.5	977,100	462.2
1975	10,230,300	4,800.2	3,252,100	1,525.9	5,977,700	2,884.9	1,096,500	469.4
1976	10,318,200	4,805.8	3,089,800	1,439.4	6,270,800	2,921.3	957,600	446.1
1977	9,926,300	4,562.4	3,852,200	1,410.9	5,305,700	2,729.9	960,400	447.6
1978	10,079,500	4,622.4	3,104,500	1,423.7	5,383,400	2,743.9	991,600	454.7
Percent change 1960-78	225.6	167.6	240.4	179.9	222.5	165.2	202.1	146.5

<sup>1</sup> Rates based on 100,000 inhabitants.<sup>2</sup> Does not include theft of motor vehicle itself.

## Observation:

(1) The theft rate for motor vehicles has leveled off since 1970. Particularly alarming, however, is that the UCR statistics for the 1st 6 mo of 1979 show a 13 pct increase for motor vehicle theft over the same time period for 1978. If this trend holds during the remainder of 1979 it will mean that over 1,100,000 motor vehicles will be stolen and the theft rate will go above 500.



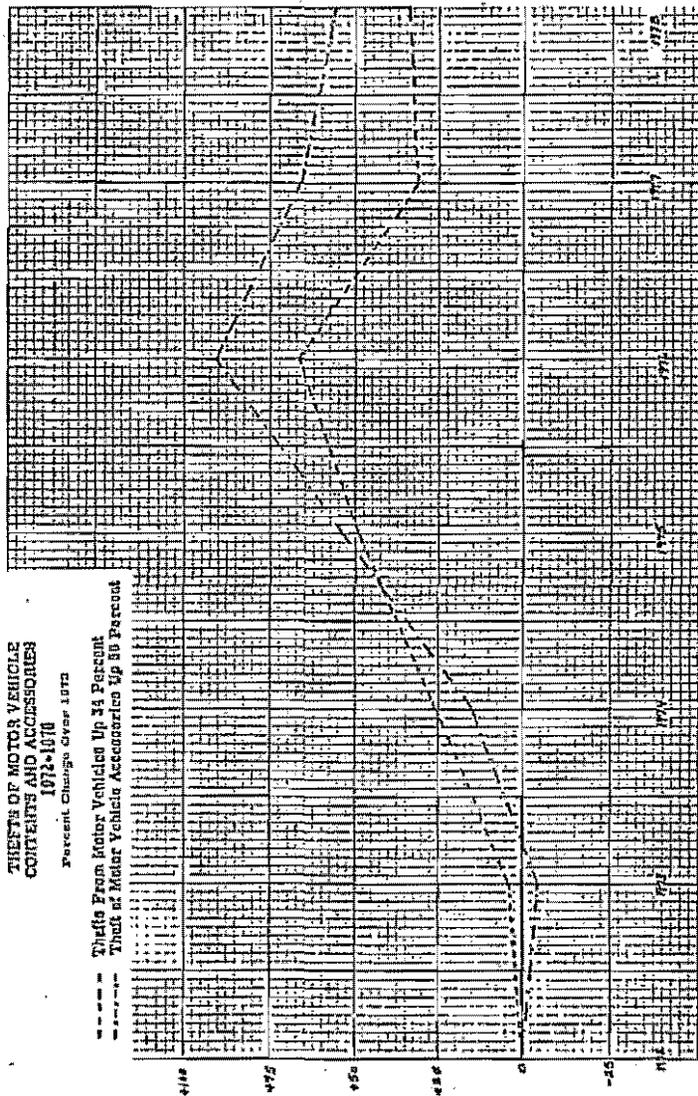
## MOTOR VEHICLE THEFT, 1967-78

[Percent change over 1967]

	Motor vehicle theft offenses	1978/67 percent change	Motor vehicle theft rate per 100,000 population	1978/67 percent change
1967	659,806		334.1	
1968	789,630	+19	393.0	+19
1969	878,500	+33	436.2	+31
1970	929,400	+41	456.8	+37
1971	948,200	+44	459.8	+38
1972	887,200	-34	426.1	+28
1973	928,600	+41	442.6	+32
1974	977,100	+48	462.2	+38
1975	1,000,500	+52	469.4	+40
1976	957,600	-45	446.1	+34
1977	960,400	-47	447.6	+34
1978	991,600	+50	454.7	+36

**THEFTS OF MOTOR VEHICLE  
COMPONENTS AND ACCESSORIES  
1972-1978**  
Percent Change Over 1972

--- Theft from Motor Vehicles Up 34 Percent  
- - - - - Theft of Motor Vehicle Accessories Up 80 Percent

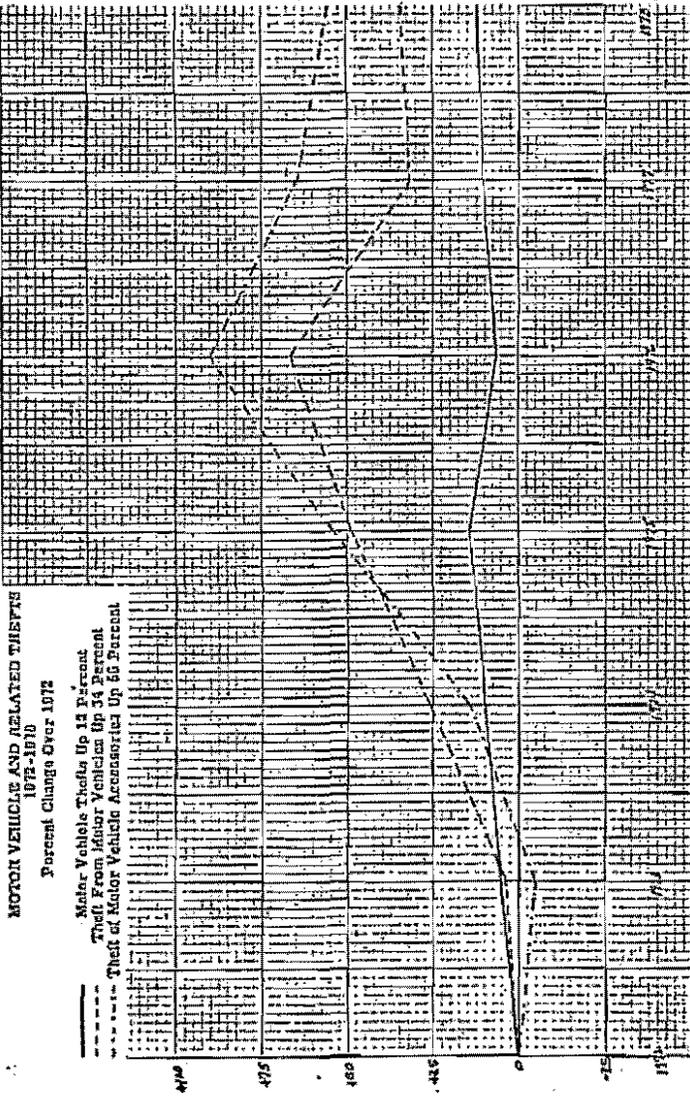


D

	1973/72	1974/72	1975/72	1976/72	1977/72	1978/72
Trials from motor vehicles.....	+4	+26	+50	+67	+31	+34
Trials of motor vehicle accessories.....	-5	+15	+54	+90	+65	+56

**MOTOR VEHICLE AND RELATED THEFTS**  
1972-1978  
Percent Change Over 1972

Motor Vehicle Thefts Up 13 Percent  
Theft From Motor Vehicles Up 34 Percent  
Theft of Motor Vehicle Accessories Up 65 Percent



## MOTOR VEHICLE AND RELATED THEFTS, 1972-78

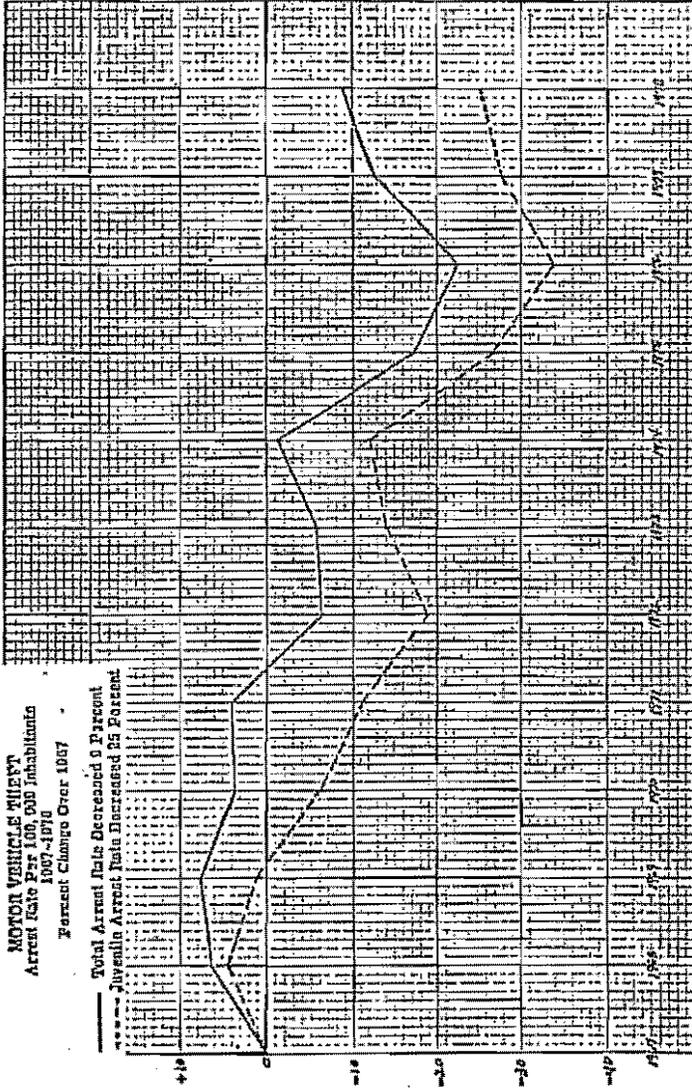
[Percent change over 1972]

	1973/72	1974/72	1975/72	1976/72	1977/72	1978/72
Motor vehicle thefts.....	+5	+10	+13	+8	+9	+12
Thefts from motor vehicles.....	+4	+26	+50	+67	+31	+34
Thefts of motor vehicle accessories.....	-5	+15	+54	+90	+55	+56

C191 121

**MOTOR VEHICLE THEFT**  
**Arrest Rate Per 100,000 Inhabitants**  
**1967-1978**  
**Percent Change Over 1967**

— Total Arrest Rate Decreased 0 Percent  
 - - - Juvenile Arrest Rate Decreased 25 Percent



## PERCENT OF THOSE ARRESTED FOR MOTOR VEHICLE THEFT WHO WERE JUVENILES (UNDER 18)

Year	Total arrests rate per 100,000	Juvenile arrest rate per 100,000	Percent of those arrested who were juveniles
1967	81.0	50.1	61.9
1968	86.2	52.3	60.7
1969	87.4	50.7	58.0
1970	84.0	47.1	56.1
1971	84.2	44.6	53.0
1972	76.0	40.7	53.6
1973	76.4	43.1	56.4
1974	80.1	44.1	55.1
1975	67.1	36.6	54.6
1976	63.1	33.2	52.6
1977	70.9	37.6	53.0
1978	74.0	37.4	50.6

## Observations:

- (1) Total arrest rate over 12-yr period is down 8.6 percent.
- (2) Juvenile arrest rate over 12-yr period is down 25.3 percent.
- (3) Percent of those arrested over 12-yr period who are juveniles is down 18.3 percent.
- (4) Total arrest rate is up 17.3 percent in 1978 as compared to 1976 and 4.4 percent as compared to 1977.

## PERCENT OF THOSE ARRESTED FOR MOTOR VEHICLE THEFT WHO WERE ADULTS (18 OR OVER)

Year	Total arrest rate per 100,000	Adult arrest rate per 100,000	Percent of those arrested who were adults
1967	81.0	30.9	38.1
1968	86.2	33.9	39.3
1969	87.4	36.7	42.0
1970	84.0	35.9	43.9
1971	84.2	39.6	47.0
1972	76.0	35.3	46.4
1973	76.4	33.3	43.6
1974	80.1	36.0	45.0
1975	67.1	30.5	45.4
1976	63.1	29.9	47.4
1977	70.9	33.3	47.0
1978	74.0	36.6	49.4

## Observation:

- (1) The percent of those arrested for motor vehicle theft over the 12-year period who were adults is up 23.7 pct.

SOLUTION RATES<sup>1</sup> FOR MOTOR VEHICLE THEFT

Year	Theft rate per 100,000	Total arrest rate per 100,000	Percent of arrests per theft
1967	334.1	81.0	24.3
1968	393.0	86.2	21.9
1969	436.2	87.4	20.0
1970	456.8	84.0	18.4
1971	459.8	84.2	18.3
1972	426.1	76.0	17.6
1973	442.6	76.4	17.3
1974	462.2	80.1	17.3
1975	469.4	67.1	14.3
1976	446.1	63.1	14.1
1977	447.6	70.9	15.0
1978	454.7	74.0	16.3

<sup>1</sup> The term "solution rate" used here is really the ratio of total arrest rate to the theft rate. Since occasionally more than 1 person may be arrested for 1 theft, the actual number of crimes solved will be a little less than the arrests per theft ratio. For instance, in 1978 the actual motor vehicle thefts solved by law enforcement is said to be 15 percent by the UCR.

## Observations:

- (1) The solution rate has declined over this 12-yr period 32.9 percent.
- (2) The solution rate in 1978 increased 19.6 percent over that in 1976 and 3.2 percent over 1977.

## PERCENT OF MOTOR VEHICLE THEFTS FOR WHICH JUVENILES (UNDER 18) WERE ARRESTED

Year	Theft rate per 100,000	Arrest rate of juveniles per 100,000	Percent of juveniles arrested per theft
1967	334.1	50.1	15.0
1968	353.0	52.3	14.8
1969	436.2	50.7	11.6
1970	436.2	47.1	10.8
1971	459.8	44.6	9.7
1972	426.1	40.7	9.6
1973	442.6	43.1	9.7
1974	462.2	44.1	9.5
1975	469.4	36.6	7.8
1976	446.1	33.2	7.4
1977	447.6	37.6	8.4
1978	454.7	37.4	8.2

## Observation:

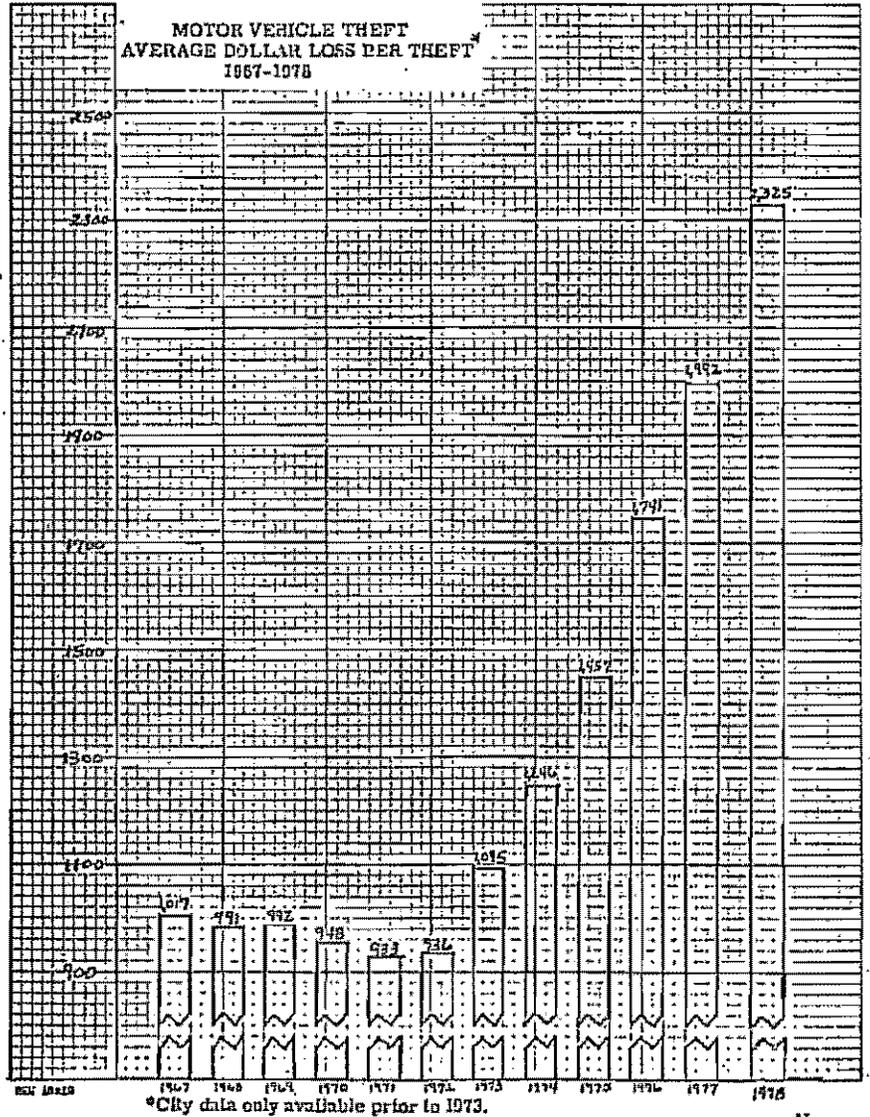
(1) In this 12-yr period juvenile arrests per theft is down 45.3 percent.

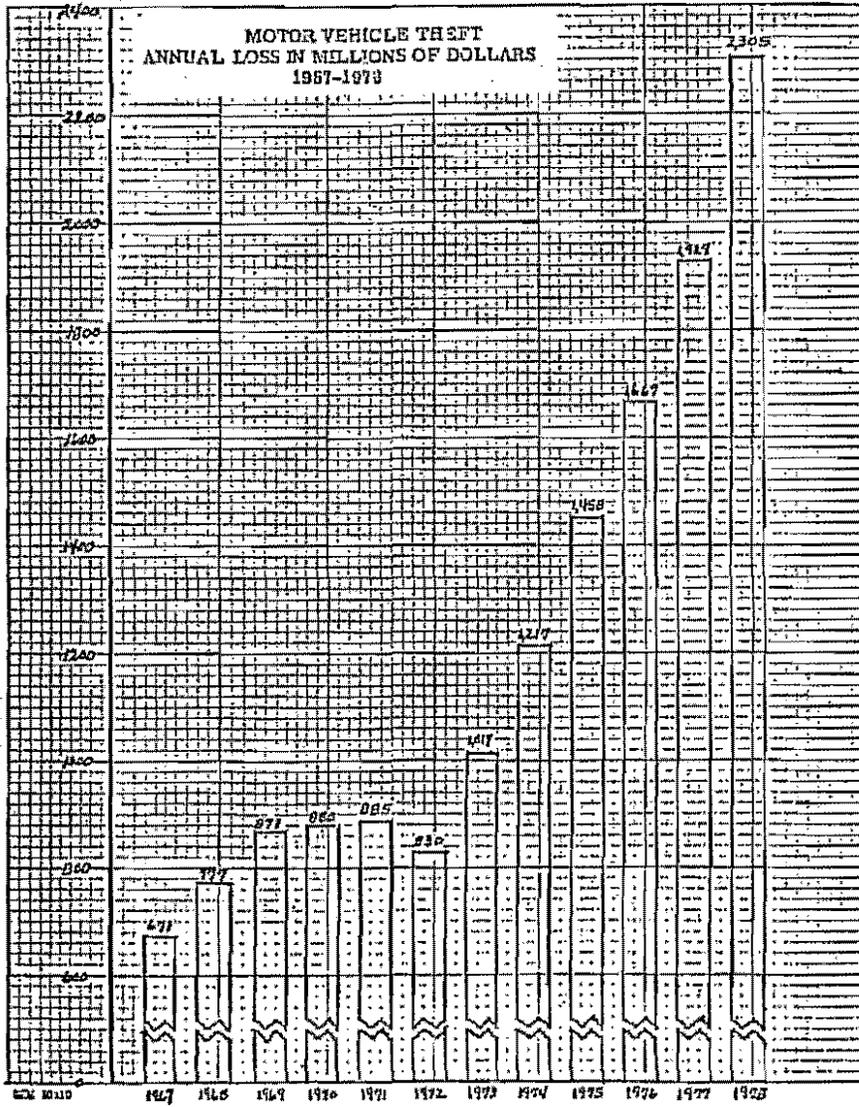
## AVERAGE VALUE OF MOTOR VEHICLE THEFT RELATED OFFENSES AND PERCENT OF VALUE OF STOLEN MOTOR VEHICLES RECOVERED FROM 1967-78

Year	Average value of motor vehicle theft	Average value of contents theft	Average value of accessories theft	Percent of the value of stolen motor vehicles recovered
1967	\$1,017	\$136	\$50	86.0
1968	991	142	53	85.0
1969	992	146	55	80.0
1970	948	139	69	77.0
1971	933	149	67	74.0
1972	936	149	65	74.0
1973	1,085	160	73	72.0
1974	1,246	180	85	68.0
1975	1,457	207	100	62.0
1976	1,741	236	134	59.0
1977	1,992	231	128	60.0
1978	2,325	254	139	60.6

## Observations:

- (1) Average value of a stolen motor vehicle is up 112.3 pct since 1973.
- (2) Recovery percentage of the value of stolen motor vehicles is down 29.5 pct since 1967.
- (3) The increase in the percent of the value of stolen motor vehicles recovered from 60 in 1977 to 60.6 in 1978 is 1 pct. This compares to a decrease of 0.3 pct for the recovery by law enforcement of all other forms of stolen property excluding motor vehicles in 1978. Overall, the recovery rate for the value of stolen property, other than the motor vehicle, decreased from 11.8 pct in 1977 to 10.8 pct in 1979. The motor vehicle continues to lead by a high margin the stolen item likely to be recovered by law enforcement.





## 1978 TRIUMPHAL FACTS--MOTOR VEHICLE RELATED THEFTS

901,000 motor vehicle thefts.  
 1,017,200 thefts of contents from motor vehicles.  
 1,142,800 thefts of motor vehicle accessories.  
 Every 32 seconds a theft of a motor vehicle.  
 One out of every 145 registered motor vehicles was stolen last year.  
 One out of every 16 registered motor vehicles was stolen itself or had its contents or accessories stolen.  
 14.6 percent of all larcenies are thefts of contents from motor vehicles.  
 10.4 percent of all larcenies are thefts of the accessories of motor vehicles.  
 14.2 percent of all larcenies are thefts of a motor vehicle.  
 45.2 percent of all larcenies reported to law enforcement involved the theft of the motor vehicle, its contents, or its parts.  
 77.8 percent of stolen motor vehicles were automobiles.  
 11.3 percent were trucks or busses.  
 11.0 percent were other motor vehicles.  
 15 percent of motor vehicle thefts were cleared by arrests.  
 51 percent of those arrested under 18.  
 70 percent of those arrested under 21.  
 Average theft of contents from motor vehicle was \$254.  
 Average theft of accessories from motor vehicle was \$139.  
 Average value of stolen motor vehicle was \$2,925.

## Value of property stolen during motor vehicle related theft--1978

Motor vehicles (901,000 times \$2,925)-----	\$2, 305, 470, 000
Contents (1,017,200 times \$254)-----	258, 308, 800
Accessories (1,142,800 times \$139)-----	158, 840, 200
<b>Total</b> -----	<b>2, 722, 688, 000</b>

## MOTOR VEHICLE THEFT, 1974-78

[Percent of type of vehicle]

	Autos	Trucks and buses	Other vehicles
1974-----	84.3	6.4	9.3
1975-----	84.0	7.0	9.0
1976-----	83.1	7.9	9.0
1977-----	80.3	9.4	10.3
1978-----	77.8	11.3	11.0

## Observations:

(1) The percent of stolen motor vehicles which are automobiles is down 7.7 pct in 1978 as compared to 1974. In 1974 823,700 automobiles were stolen while in 1978, 771,450 automobiles were stolen.

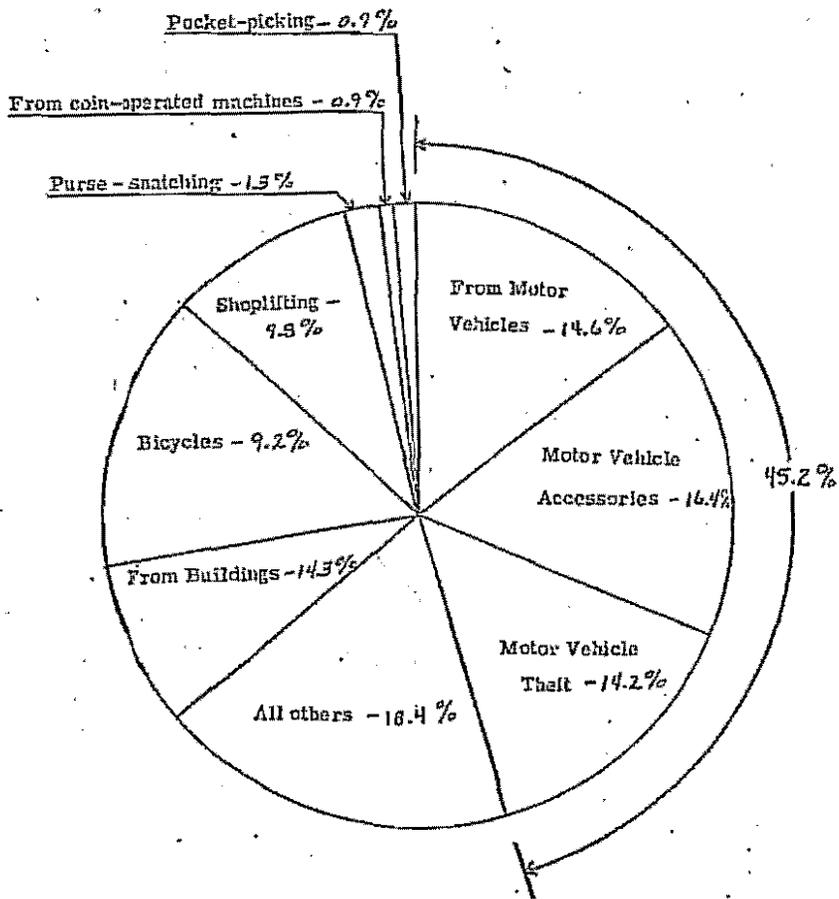
(2) The percent of stolen motor vehicles which are trucks and buses is up 76.6 pct in 1978 as compared to 1974 and increased 20.2 pct in 1978 over 1977. In 1974, 62,530 trucks and buses were stolen while in 1978, 112,050 trucks and buses were stolen.

(3) The percent of stolen motor vehicles which are other vehicles is up 18.3 pct in 1978 as compared to 1974.

Note: "Other vehicles" consist mostly of motorcycles. For purposes of the UCR the term "motor vehicle" does not include construction and farming equipment.

THEFTS-1978

(includes Larceny-theft and Motor Vehicle Thefts)



STATES ABOVE NATIONAL AVERAGE OF 454.7 IN 1970 COMPARED TO THEIR POSITION IN 1977 AND PERCENT OF CHANGE IN 1978

1978 rank	1978 rate <sup>1</sup>	1977 rate	1977 rank	Percent change
1. Massachusetts.....	1,025.6	1,140.1	1	-3.9
2. Rhode Island.....	807.2	791.4	2	+2.0
3. California.....	691.3	663.2	5	+4.2
4. New York.....	672.0	745.0	4	-9.9
5. Alaska.....	661.5	753.3	3	-12.2
6. Connecticut.....	654.9	593.2	6	+10.4
7. Hawaii.....	601.7	559.2	7	+7.6
8. Hawaii.....	570.8	489.4	11	+16.6
9. New Jersey.....	560.6	511.5	10	+9.6
10. Michigan.....	515.9	545.5	8	-3.6
11. Illinois.....	511.2	520.6	9	-3.3
12. Delaware.....	486.4	467.0	13	+5.4
13. Colorado.....	487.9	477.1	12	+2.3
14. Arizona.....	464.4	459.5	14	+5.7

<sup>1</sup> All rates are thefts per 100,000 inhabitants.

STATES IN 1978 WITH INCREASES OF 10 PERCENT OR MORE

State (alphabetically)	1970 rate <sup>1</sup>	1977 rate	Percent increase
1. Connecticut.....	654.9	593.2	10.4
2. Florida.....	308.6	351.4	10.6
3. Georgia.....	356.5	297.9	19.7
4. Hawaii.....	570.8	408.4	16.6
5. New Mexico.....	313.8	259.5	20.9
6. South Carolina.....	276.1	245.1	12.6
7. Texas.....	444.3	397.6	11.7
8. Wyoming.....	342.5	202.0	21.5

<sup>1</sup> All rates are thefts per 100,000 inhabitants (national average 454.7).

STATES IN 1970 WITH DECREASES OF 10 PERCENT OR MORE

State (alphabetically)	1970 rate <sup>1</sup>	1977 rate	Percent decrease
1. Alaska.....	661.5	753.3	12.2
2. Nebraska.....	216.8	249.1	13.0
3. Vermont.....	214.2	265.2	19.2

<sup>1</sup> All rates are thefts per 100,000 inhabitants (national average 454.7).

STATES WITH 25,000 OR MORE STOLEN MOTOR VEHICLES IN 1978

1978 rank and State	1977 rank	1970 thefts	1977 thefts	Numerical change	Percent change	Percent of national 1970 total <sup>1</sup>
1. California.....	1	154,103	145,270	+8,838	+6.1	15.5
2. New York.....	2	119,264	133,669	-14,405	-10.0	12.0
3. Massachusetts.....	3	63,259	69,922	-2,663	-4.0	6.4
4. Texas.....	5	57,821	51,018	+5,803	+13.3	5.8
5. Illinois.....	4	57,477	59,446	-1,969	-3.3	5.8
6. Michigan.....	6	40,328	49,803	-1,575	-3.0	4.9
7. Ohio.....	7	43,210	42,851	+359	+0.8	4.4
8. New Jersey.....	9	41,075	37,489	+3,586	+9.6	4.1
9. Pennsylvania.....	8	40,835	39,254	+771	+2.0	4.0
10. Florida.....	10	33,400	29,698	+3,702	+12.5	3.4
Total.....		657,977	654,430	3,547	+0.5	166.4

<sup>1</sup> Total national thefts in 1970 was 991,611.

<sup>2</sup> Because of rounding, percentages may not add to total.

EXHIBIT NO. 6

FBI VEHICLE THEFT ANALYSIS OF 1977-79 MODEL VEHICLES, JAN. 1 TO JULY 30, 1979

Rank	Truck tractors		Trucks		Luxury autos		Field Office total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1. Albany	24	\$040,000	332	\$1,992,000	86	\$559,000	442	
2. Albuquerque	0	200,000	251	1,506,000	90	637,000	357	
3. Alexandria	16	560,000	105	1,110,000	132	050,000	333	
4. Anchorage	3	105,000	59	354,000	19	123,500	01	
5. Atlanta	342	11,970,000	1,266	7,596,000	826	5,369,000	2,434	
6. Baltimore	87	3,045,000	557	3,342,000	419	2,723,500	1,063	
7. Birmingham	131	4,505,000	1,057	6,342,000	465	3,022,500	1,653	
8. Boston	134	4,690,000	3,344	20,064,000	2,431	15,801,500	5,909	
9. Buffalo	37	1,295,000	602	3,612,000	209	1,070,500	928	
10. Butte	10	350,000	149	894,000	29	108,500	180	
11. Charlotte	114	3,990,000	385	2,310,000	270	1,807,000	777	
12. Chicago	262	9,170,000	4,606	27,636,000	10,674	69,381,000	15,542	
13. Cincinnati	166	5,010,000	1,017	6,102,000	480	3,172,000	1,671	
14. Cleveland	424	14,040,000	3,040	10,208,000	1,476	9,587,500	4,947	
15. Columbia	76	2,680,000	205	1,710,000	309	2,009,500	670	
16. Dallas	160	5,600,000	2,379	14,274,000	1,023	6,649,500	3,562	
17. Denver	41	1,435,000	539	3,234,000	230	1,547,000	810	
18. Detroit	264	9,240,000	4,790	28,740,000	3,030	19,695,000	8,084	
19. El Paso	7	245,000	664	3,984,000	242	1,573,000	913	
20. Honolulu	3		4	24,000	1	6,500	5	
21. Houston	381	13,335,000	5,964	35,704,000	1,627	10,575,500	7,972	
22. Indianapolis	157	5,495,000	2,053	17,110,000	1,191	7,741,500	4,201	
23. Jackson	42	1,470,000	252	2,112,000	157	1,020,500	551	
24. Jacksonville	64	2,240,000	364	2,104,000	224	1,456,000	652	
25. Kansas City	132	4,620,000	1,017	6,102,000	404	2,626,000	1,553	
26. Knoxville	122	4,270,000	1,641	9,046,000	461	2,996,500	2,224	
27. Las Vegas	10	350,000	159	954,000	150	975,000	319	
28. Little Rock	40	1,400,000	329	1,974,000	106	609,000	475	
29. Los Angeles	113	3,955,000	2,873	17,230,000	1,466	9,529,000	4,452	
30. Louisville	09	3,115,000	1,368	8,214,000	391	2,541,500	1,049	
31. Memphis	01	2,035,000	795	4,770,000	305	2,502,500	1,261	
32. Miami	99	3,465,000	648	3,088,000	1,104	7,176,000	1,051	
33. Milwaukee	43	1,505,000	400	2,400,000	195	1,267,500	638	
34. Minneapolis	113	3,955,000	454	2,724,000	177	1,105,000	737	
35. Mobile	36	1,260,000	167	1,002,000	119	773,500	322	
36. Newark	252	8,020,000	1,436	8,616,000	1,060	12,090,000	3,548	
37. New Haven	40	1,400,000	334	2,004,000	314	2,041,000	680	
38. New Orleans	94	2,290,000	671	2,826,000	537	3,490,500	1,302	
39. New York City	05	2,975,000	2,755	15,530,000	0,480	55,237,000	11,338	
40. Norfolk	9	315,000	70	468,000	07	565,000	174	
41. Oklahoma City	60	2,100,000	1,103	6,610,000	438	2,847,000	1,601	
42. Omaha	49	1,715,000	531	3,106,000	103	669,500	683	
43. Philadelphia	306	13,510,000	1,009	10,054,000	2,075	18,687,500	5,070	
44. Phoenix	22	770,000	1,156	6,936,000	255	1,657,500	1,233	
45. Pittsburgh	308	13,580,000	3,179	19,074,000	715	4,647,500	4,202	
46. Portland	17	595,000	307	1,042,000	60	442,000	382	
47. Richmond	43	1,505,000	250	1,580,000	90	637,000	391	
48. Sacramento	10	630,000	547	3,382,000	158	1,027,000	723	
49. St. Louis	02	3,070,000	2,064	12,304,000	871	5,661,500	3,017	
50. Salt Lake City	8	288,000	242	1,452,000	63	409,500	313	
51. San Antonio	46	1,610,000	1,015	10,080,000	405	2,632,500	2,265	
52. San Diego	9	315,000	650	3,980,000	322	2,093,000	981	
53. San Francisco	18	630,000	710	4,260,000	402	2,613,000	1,130	
54. San Juan	6		0		145	942,500	145	
55. Savannah	17	595,000	68	400,000	60	380,000	145	
56. Seattle	14	490,000	282	1,752,000	100	702,000	414	
57. Springfield	60	2,100,000	675	4,060,000	214	1,381,000	952	
58. Tampa	91	3,185,000	461	2,766,000	316	2,054,000	060	
59. Washington field	11	305,000	73	430,000	103	669,500	187	
Total	5,647	197,645,000	66,113	396,670,000	49,717	323,160,500	121,477	5,917,403,500

## EXHIBIT No. 7

(From Law Enforcement Assistance Administration publications for 1975, 1976, and 1977 entitled "Criminal Victimization in the United States")

TABLE 82.—Personal, household, and commercial crimes: Percent of victimizations resulting in loss of time from work, by type of crime, 1975

Type of crime	Percent
All personal crimes	4.7
Crimes of violence	10.0
Rape	11.1
Robbery	12.2
Robbery with injury	25.0
Robbery without injury	6.0
Assault	9.3
Aggravated assault	12.0
Simple assault	7.2
Crimes of theft	2.9
Personal larceny with contact	3.7
Personal larceny without contact	2.0
All household crimes	4.7
Burglary	5.5
Forcible entry	11.3
Unlawful entry without force	3.0
Attempted forcible entry	1.7
Household larceny	2.0
Less than \$50	1.3
\$50 or more	3.6
Amount not available	<sup>1</sup> 2.1
Attempted larceny	<sup>1</sup> 1.0
Motor vehicle theft	18.0
Completed theft	23.0
Attempted theft	7.4
All commercial crimes	0.7
Burglary	8.7
Robbery	15.8

<sup>1</sup> Estimate, based on about 10 or fewer sample cases, is statistically unreliable.

## EXHIBIT No. 7—Continued

TABLE B3.—*Personal, household, and commercial crimes: Percent of victimizations resulting in loss of time from work, by type of crime, 1976*

Type of crime	Percent
All personal crimes	5.0
Crimes of violence	10.4
Rape	22.8
Robbery	13.1
Robbery with injury	23.4
Robbery without injury	8.2
Assault	9.3
Aggravated assault	12.5
Simple assault	7.2
Crimes of theft	3.2
Personal larceny with contact	6.9
Personal larceny without contact	3.1
All household crimes	4.4
Burglary	5.2
Forcible entry	10.1
Unlawful entry without force	2.9
Attempted forcible entry	2.1
Household larceny	2.5
Less than \$50	1.4
\$50 or more	5.0
Amount not available	<sup>1</sup> 1.9
Attempted larceny	1.0
Motor vehicle theft	15.1
Completed theft	22.0
Attempted theft	4.0
All commercial crimes	8.5
Burglary	7.5
Robbery	14.0

<sup>1</sup> Estimate, based on about 10 or fewer sample cases, is statistically unreliable.

## EXHIBIT No. 7—Continued

TABLE 79.—*Personal and household crimes: Percent of victimizations resulting in loss of time from work, by type of crime, 1977*

<i>Type of crime</i>	<i>Percent</i>
All personal crimes.....	5.1
Crimes of violence.....	10.1
Rape.....	14.2
Robbery.....	14.0
Robbery with injury.....	22.0
Robbery without injury.....	9.3
Assault.....	0.1
Aggravated assault.....	14.2
Simple assault.....	6.0
Crimes of theft.....	3.3
Personal larceny with contact.....	3.1
Personal larceny without contact.....	3.4
All household crimes.....	4.6
Burglary.....	6.0
Forcible entry.....	11.0
Unlawful entry without force.....	4.1
Attempted forcible entry.....	1.8
Household larceny.....	2.1
Less than \$50.....	1.4
\$50 or more.....	3.7
Amount not available.....	0
Attempted larceny.....	2.9
Motor vehicle theft.....	16.0
Completed theft.....	22.4
Attempted theft.....	5.8

<sup>1</sup> Estimate, based on about 10 or fewer sample cases, is statistically unreliable.

Mr. SHAPIRO. Thank you. Are there any questions?

Senator PERCY. Senator Nunn, did you want to start the questioning?

Senator COHEN. Mr. Chairman, may I raise one issue? I believe Mr. Marks indicated this was, by many people, considered to be a victimless type of crime, and I was interested, perhaps for the record, if they might indicate how many people have been murdered in Illinois alone as a result of organized crime activity, and if that can be part of the record.

Senator PERCY. I did mention that in my opening comment. Fourteen people in the last decade have been murdered, and this has been attributed directly to engagement in this industry. What apparently will be brought out in the hearings is that auto theft is such a lucrative business, that the mob is muscling in. The testimony will reveal that, in many cases, organized crime is actually running chop shop businesses.

Mr. MARKS. I might add, Senator Percy, that as far as outside of Chicago, in Metropolitan New York there appears to be as many as seven murders linked to chop shop or cut shop operations in that city. There have been murders scattered throughout the United States, in Maryland, in Michigan. For the first time we are finding that law enforcement personnel who apprehend some of these thieves and chop shop operators themselves are putting their lives in jeopardy. In fact, earlier this year, in downstate Illinois, there were two policemen killed by a group of men that were linked to chop shop operations. So I think we are finding now that there is a spiral of violence associated with this particular crime and it is just not confined to Metropolitan Chicago.

Senator COHEN. Just one other point, Mr. Chairman. You indicated there was a rise in the increase of adults who are stealing cars or involved in the chop shop operations. My understanding is that organized crime is now actually turning to juveniles to help steal the vehicles since our juvenile codes have a tendency to have more leniency toward young people who are caught stealing cars. Is that incorrect?

Senator PERCY. The assumption you have made is correct. Chop shop operators are using juveniles to steal cars simply because they are subject to a very light penalty, especially in a first offense. Is that correct?

Mr. MARKS. Yes. We have found that in some areas that the organized crime will pay juveniles anywhere from \$100 to up to \$300 to steal cars. These are youngsters who don't have arrest records. Judges are very unwilling to mete out stiff sentences to someone who doesn't have a prior arrest record. So, they are using that to their advantage.

Mr. SERRANO. I might add, when we were in Detroit, we heard a very interesting example concerning a very well coordinated 13-year old youth who was very small, but had very good manual dexterity, and was being used by organized rings to steal cars. He was small enough though that they had to give him a telephone book to sit on when he stole cars. Being only 13, however, he didn't know how to drive a car well and was caught after he got into an accident while driving a stolen car. So, certainly, youths are being involved in organized vehicle theft operations.

Senator COHEN. While the statistics might tend to indicate that there is a rise in the increase of cars being stolen by juveniles, the rise is not necessarily related to joyriding, but actually pertains to organized crime efforts.

Mr. MARKS. That is correct.

Senator COHEN. Thank you.

Senator PERCY. We will start right in then. I think possibly we will be using some terms of the trade that require some defining. So let's just start right out and tell us what is a chop shop?

Mr. MARKS. A chop shop is a clandestine garage where stolen cars are in effect disassembled in a matter of hours by specially trained crews that operate with very—they are very fast. They take the major crash replacement parts off the car in this clandestine location, which is usually away from the prying eyes of the public and police.

The car might be stolen at night. It will be, in most cases, taken to an intermediate point by the thief and then it will be dropped off. For instance, we should hear later this week how in New York City some of the thieves will steal cars off the streets of Brooklyn and Queens, take them to an exit on the Connecticut Turnpike, where then the car will be left off and then the thieves will watch the car for a while, to be certain that it is not being followed by the police. Another person will pick up the car, take it to the chop shop in Connecticut. And we are finding now, Senator Percy, that the choppers are starting to locate into rural areas now, in isolated farms away from even city police, because they know the rural areas aren't as well patrolled.

The car will then be disassembled, the numbered parts will be disposed of, the major sheet metal parts will then be taken to a body repair shop that has perhaps placed an order for those particular parts.

Senator PERCY. One final definition. You described our next witness as one of the best retaggers in the country. We have heard in our witness protection program how a witness can be given a new identity. Through retagging, how can a vehicle be given a brandnew identity and a whole new lease on life? What is retagging?

Mr. MARKS. It is simply for providing for an identification switch. Retaggers operate by purchasing wrecked vehicles at auctions, put up for sale generally by insurance companies. We will see some dramatic slides later today by Lieutenant McQuown on how the thieves will go into these insurance auctions, and purchase absolutely burned out hulks, that cannot possibly be rebuilt without spending a great deal of money.

They will take the public vehicle identification number plate off the hulk. This is the plate that appears in our left-hand window. They will transfer it together with any other numbers that they could cut off of the car hulk to a stolen car which matches the hulk that they bought at the insurance auction.

Now, additionally, what makes this so lucrative is, regrettably in many States the thief will get a clear title to this hulk and this clear title indicates there is absolutely nothing wrong with this car.

So what they will do is just transfer the identity of the wreck to the stolen car.

Senator PERCY. If it is all right with the other committee members, we will operate under the 10-minute rule.

Mr. Shapiro, Senator Cohen mentioned that this is not only an urban problem. Vehicle theft occurs with increasing frequency in rural communities. In addition, I noticed that suburban areas are experiencing an even more dramatic theft increase this year.

Some suburbs of Chicago are up 50, 60, 70 percent over a year ago. Why is the suburban area such a lucrative field?

Mr. SHAPIRO. The suburban areas are very lucrative because they are around the major urban centers. As I believe we will demonstrate in these hearings, there is virtually no area in this country that is not becoming a lucrative warehouse for stolen parts. Where there are cars, there are now thieves operating. In the suburban areas, there are a great number of cars and, in many suburban areas, a great number of expensive cars.

We are finding thieves who are, in many cases, operating out of these cities and are using the suburbs as prime areas where they can obtain the product quickly and safely. In the suburbs, there tend to be quiet residential areas. Law enforcement tends to be less on the alert for crime in the night, so it is a very easy place for a thief to steal a car and there is just a tremendous selection there. They steal a car in the suburb, chop it in the city and sell the parts interstate.

Virtually any parking lot, bowling alley, any place where there are a lot of cars congregated is a prime spot for a thief to go to steal a car. Many of these places are located in the suburbs.

Senator PERCY. One other phenomenon that seems to be occurring is theft on order. Could you describe how that works and why it works? How a particular car might be targeted by thieves, how an order goes out through the network, and how that car is stolen?

Mr. SHAPIRO. Surely. Basically, it has to be understood that this crime, the crime in the chop shops begins not as a crime but as a legitimate business transaction. If you hang up your car, assuming you have, let's say, a 1979 Cutlass, you need a new door because your car was hit in an accident, you take it to your local repair shop and say "Can you fix my car in a week, I really need it?" He then says, "Sure." He will contact a salvage yard and say, "I have a good customer who needs his left door repaired on a '79 Cutlass, can you get me a part?" The repair shop will say, "Sure, we'll put out a call and see if anyone has one in stock." One of the people who is going to respond is an illegitimate salvage yard who says, "Yes, we have the product in stock, as a matter of fact. What is the color; we might have the right color."

He comes back and says it's red. "Yeah, we have a red one in stock."

At that point the salvage operator writes it down. He will contact a thief. The thief will go out and search the area for a 1979 red Cutlass. He finds the car, he steals it, he takes it to the chop shop. It is cut up, the parts are taken to the salvage yard and the next day that salvage yard will deliver that part to the person who requested it.

The person who obtains the part, the repair shop which repairs it may have no idea in many cases that the door obtained so quick was stolen.

Senator PERCY. In other words, when the order goes out in the network, say, we need a fender, a hood and a bumper for such and such a model car, such and such a color, some operators will offer the parts for sale when they do not even have them.

Mr. SHAPIRO. Exactly.

Senator PERCY. These operators know they can go to a thief who has cataloged in his mind, kept mental records of where he has seen such a car, and can go get that car. Within 24 hours that car is stolen, chopped up, and the parts are delivered.

Mr. SHAPIRO. Exactly. They know where any manufactured car in this country can be obtained in a single day. They are just all around. It is just a matter of locating that car.

Mr. MARKS. If I might add, Senator Percy, generally the repair shops will return to legitimate salvage yards. These are legitimate businessmen who get their salvage or get the crash replacement parts by buying them at the insurance pools where these wrecks are put up for sale. Their supply is limited because they are purchasing their replacement parts from these insurance pools whose supply is dependent on the number of cars that might be involved in serious collisions.

What happens is, the legitimate salvage dealers are suffering greatly because of the chop shops, because they refuse to go out and get involved in this illegal process. They have been very supportive to us during this entire 15-month investigation, particularly their trade association, the Automotive Dismantlers and Recyclers of America.

I think I want to make it clear for the record that we are talking about the vast majority of the salvage yard dealers being legitimate but regrettably there are a small number of greedy salvage yard operators who will stop at nothing to fill these part orders from chop shops.

Senator PERCY. Thank you, Senator Nunn.

Senator NUNN. Thanks, Senator Percy. You mentioned a minute ago about the chain beginning with someone coming in needing a part and what took place after that. At what point in that chain does the operation apparently become illegitimate? In other words, hypothetically, who should know at the first sign of illegality that they are dealing in stolen parts?

Mr. SHAPIRO. It is very difficult for the legitimate repair shop or salvage yard to know who is dealing legitimately and who is dealing illegitimately, although those salvage yards which are in the business for many years and see that there is a small yard which doesn't have a large inventory yet always seems to have the part in stock, they can put two and two together.

If you talk to most salvage yard operators who have been in the business for a long time, they will say that we know that so and so yard down on so and so road cannot get the parts that they sell legitimately because I've been through their yard and they don't have the inventory. So there is somehow a recognition among those yard operators and they tend generally not to associate and to do business because they know they are probably doing business in stolen parts.

Senator NUNN. In other words, they can't prove it, but when they get a very quick reply and it is a lower price and there is obviously a salvage yard that doesn't have a large inventory but always ready to respond, there is a feeling of illegitimacy there.

Mr. SHAPIRO. There is that feeling but there is also a feeling of security certainly among the repair shops in knowing even if they get that 1980 part in one day, and they think, ah ha, maybe it is stolen, they know that there is going to be no identifying number on that part. Even if law enforcement says, "Ah ha, that is a stolen part" and they come and inspect it, the repair shop knows there is nothing on that part that is going to tell the law enforcement officer that the part is stolen even if the officer knows that very part came off his neighbor's car that was stolen the night before.

So there is a security and while it is kind of turning the head away, people know many of these parts that are being trafficked are stolen, they are not sure where the sources are and generally even if they dabble in it and occasionally buy stolen parts, they have a feeling they are stolen, they have the security of knowing that it is going to be virtually impossible to prove.

Senator NUNN. Are the prices low for these chop shop stolen parts or do they bill them out at the same rate?

Mr. SHAPIRO. They are billed out at exactly the same rate. The consumer is saving nothing in the process.

Senator NUNN. I am not speaking of the consumer. Let's take the illegitimate salvage operator who ships a stolen part. Does that particular operator usually bill it out at the same price that would be billed out if it was a legitimate—

Mr. SHAPIRO. He will sell that part for the same prices commanded by the legitimate yard. The illegitimate salvage yard operator who obtained his part from a chop shop knows that he already has a buyer who is more than willing to pay the going rate for the benefit of

getting his hands on the part in 1 day. So the illegitimate yard operator doesn't have to cut his price; he can and will sell it for the going price.

Mr. MARKS. The main thing is the availability of the part. The legitimate salvage yard dealer, because his supply is limited by the amount of wrecked cars being sold at the auction, cannot get many replacement parts.

Ads placed by illegitimate salvage yard operators in some of the trade publications say quite boldly that they provide instant service. You order and we'll get it in a matter of hours. They will say it in no uncertain terms.

Senator NUNN. In other words, the attraction in dealing in stolen parts from a person who is not actively engaged in the theft is really the quickness of delivery rather than the lower price?

Mr. SHAPIRO. Yes, and the lower labor costs. When the part comes, instead of being disassembled that part is going to come in one piece. He can put it on the car in one piece with almost a very short time of labor whereas when the part comes from the manufacturer, he has to spend time putting every single component together because it will come all disassembled. It is the cost savings derived from lower labor costs and the time factor which attract the repair shops.

Senator NUNN. It seems almost implausible that a stolen automobile ring could go out and steal a car, chop it up and send it quicker than a corporation like GM or Ford could service their dealers with spare parts.

Mr. MARKS. We are going to be hearing later during these hearings, Senator Nunn, from some of the best thieves in the business that will be describing this operation. It is really quite unique. There is a lot of enterprise involved. Regrettably it is illegitimate and illicit, but they have thought of ways to supply crash replacement parts in a more expeditious way than the manufacturers can.

Senator NUNN. Do you get the feeling there is a way to do better, have more efficient spare part business in the legitimate end or are they operating with efficiency, and we have a bunch of thieves that can go out and do it better?

Mr. MARKS. I would hope, Senator Nunn, that as a result of these hearings that the manufacturers would reexamine their procedures for supplying crash replacement parts in the legitimate markets so that they try to satisfy some of the complaints that have been lodged by body repair shops in terms of delays in supplying parts and that these parts come in many separate pieces instead of one piece such as a door. I would hope that these changes would grow out of these hearings.

Senator NUNN. I can't make a judgment on whether that would be done. It seems like it raises a legitimate question. If the parts were available readily and if they could be assembled very quickly, have legitimate sources, then there would be much less market here, much less incentive for theft, wouldn't there?

Mr. SHAPIRO. That is the economic reality of this crime.

Senator NUNN. Couple of other questions. You mentioned in many cases wrecked automobiles in some States can be given, the purchaser can be given a clear title and you implied, although I didn't hear the total answer, in other States it might be different. Are there State

laws that make it more difficult for purchasers of wrecked automobiles to get clear titles?

Mr. SHAPIRO. Yes, there are. Some States will have a salvage title law and the laws vary from State to State. Some positive steps which are being taken are that once a car is totaled and determined to be totaled, the clear title is sent to the State. The State in turn sends back to the insurance company a salvage title which says this vehicle is severely wrecked and cannot be put back on the road without a physical inspection. When they sell the car at the auction, a person who buys it and is maybe going to rebuild it, then has to take that car back to the State and have the State inspect the car to make certain it is safe and to make sure the car is not stolen before it is issued a clear title.

This procedure greatly diminishes the opportunity of the retag operator. If he knows his car is going to be carefully inspected to make certain the VIN plate in the window and the numbers on the engine and transmission are legitimate; if he knows he has to go through that inspection, there is going to be a strong inclination to go to a neighboring State and steal and retag cars there because this State is going to catch me.

So some States have done notably good things in this area and this is a subject which the subcommittee is looking into and we hope in the near future we will present testimony as to what we consider are the proper measures which the State should be taking today to deal with the problem. Certainly there is a role they can play.

Senator NUNN. Could you furnish for the record a list of States that do have some form of law that presents an impediment?

Mr. SHAPIRO. The New York State Senate Committee on Transportation has compiled a list and it will be furnished for the record.

[The information follows:]

[Excerpt from "Auto Theft, 1970," published by the New York State Senate Committee on Transportation]

#### STATE GOVERNMENT ACTION ON AUTO THEFT

The following is a selective summary of recent action by state legislatures and administrators. Several states have already adopted many of the suggestions in auto theft made by the National Committee on Uniform Traffic Laws and Ordinances, the AAMVA and others. One extremely useful summary of existing state laws, regulations and procedures, containing information about Certificates of Title, Registration, Assignment of Vehicle Identification Number, responsibility for motor vehicle law enforcement and other details is to be found in the National Automobile Theft Bureau's *Passenger Vehicle Identification Manual*, published annually. Another major source of information is *Polk's Motor Vehicle Registration Manual*.

Many recent state actions, such as recent laws and regulations approved in New York, Illinois and Michigan, deal with auto theft problems specific to each locality. A major thrust of such activity is toward achieving better control over the movement and identification of motor vehicles and major component parts, the intent being to cut down on the operation of illegal "chop shops", which dismantle stolen motor vehicles for their salable parts. This is to be accomplished through the regulation of all businesses engaged in handling salvage motor vehicles or salvage parts. In addition, several state legislators have introduced bills requiring automobile manufacturers to offer vehicle identification numbers (VINS) on major component parts. This would cut down on the traffic in stolen parts by making such parts easily identifiable.

State and metropolitan activity is presented in the following order: Maryland (page 22), New York (page 23), New York City (page 25), Michigan (page 25), Ohio (page 26), Illinois (page 27), Washington (page 28), California (page 29), Arizona (page 30), Texas (page 30), Louisiana (page 30), Virginia (page 31), Kentucky (page 31), Iowa (page 32), Massachusetts (page 32).

#### MARYLAND

At the request of the American Association of Motor Vehicle Administrators, the Maryland Motor Vehicle Administration prepared a Model Vehicle Salvage Law. It is the purpose of the proposed standard to establish procedures, design uniform forms and create a method of liaison between jurisdictions that will provide for the protection of the general public in purchasing rebuilt vehicles and to minimize replating of stolen vehicles (replating is the process of changing the VIN on the dashboard).

Currently some jurisdictions issue a Salvage Certificate when a vehicle is classified a total loss, which becomes an interim ownership document for the conveyance of ownership only, not for registration for operation on the road. It is the practice of some jurisdictions to remove the VIN plate while other jurisdictions stamp "SALVAGE" on the title document. Furthermore, some jurisdictions refuse to accept a salvage certificate issued by another jurisdiction as an ownership document.

The Model Law suggests that all jurisdictions adopt uniform procedures such as:

Recognizing and accepting salvage certificates issued by another jurisdiction.

Ensuring once a vehicle is sold to and processed by a scrap processor, the processor will forward the salvage certificate to the department of motor vehicles for detitling.

Mandating that if a salvage dealer rebuilds an automobile it must be inspected by a police department or motor vehicle department representative before it may be titled and registered for operation. The VIN must be verified and the vehicle must meet state safety standards.

Insisting that the public VIN shall remain affixed to the vehicle even when declared salvage.

Enforcing a provision that no person, corporation or firm shall operate as a salvage dealer, scrap processor or recycler or engage in buying, selling or restoring of salvage vehicle without being licensed by the department of motor vehicles.

Ruling that records must be maintained of all vehicles bought and sold. The records must reflect the year, model, VIN, and the name and address of the buyer and seller.

Contact.—Clarence Woody, Maryland Department of Transportation, Motor Vehicle Administration, 6001 Ritchie Highway, N.E., Glen Burnie, Maryland 21002, Telephone: 301-768-7202.

#### NEW YORK

In 1978 and 1979 a number of motor vehicle theft bills were introduced in the New York Legislature. The lead sponsors of the bills in the Senate were Senators John D. Cramer and Joseph R. Pisanl. The Assembly bills were the Governor's program bills. Insurance Superintendent Albert Lewis was a major catalyst for action in New York with he and his staff devoting many hours to the auto theft problem.

The New York bills were in response to an extremely high auto theft rate and to the realization that professional auto theft rings were stealing motor vehicles so that they could be stripped of their valuable major component parts. The bills were introduced after a public hearing on auto theft, conducted jointly by Senators Cramer and Pisanl, revealed the magnitude of the problem. A summary of the situation in New York is contained in the report, *Auto Theft: A Low Risk High Project Crime in New York State*, dated January 10, 1978. Copies of this report are available from the New York State Senate Transportation Committee, Room 811, Legislative Office Building, Albany, N.Y. 12247. Telephone: 518-456-3344.

*Bills introduced in 1979:*

## 1. Senate 2240-A, Assembly 2760-B, Chapter 692 of the Laws of 1979

This act amends the insurance law, the penal law and the vehicle and traffic law. It makes several changes relating to the handling of salvage vehicles by insurance companies, including the reporting of passenger vehicles involved in total losses to a central organization (The National Automobile Theft Bureau). The bill amends the penal law to make false reporting of the theft of a motor vehicle a felony. The new law also requires that salvage vehicles that are rebuilt must be inspected by the Department of Motor Vehicles before they can be registered for use upon the public highway. In addition, the insurance superintendent is instructed to determine by a specified date whether insurance discounts should be granted for the installation of anti-theft devices on automobiles.

## 2. Senate 2251-A, Assembly 2761-B, Chapter 691 of the Laws of 1979

This act amends the vehicle and traffic law in relation to vehicle dismantlers and other persons engaged in the transfer, sale or disposal of junk and salvage vehicles. The bill increases the penalty for operating as an unregistered vehicle dismantler to a felony. This provision is aimed at shutting down illegal "chop shops". Currently, there are about 1500 dismantlers in the state, but only about one third of these are registered.

The new law also requires that salvage pools, mobile car crushers and itinerant vehicle collectors register with the Department of Motor Vehicles. This brings almost every business involved in the handling of motor vehicles under some type of regulation, thus enabling the establishment of a "paper" audit trail for each vehicle. Vehicle rebuilders are required to register as vehicle dismantlers. The Commissioner of Motor Vehicles is empowered to require, by regulation, that vehicle dismantlers and salvage pools mark major component parts of vehicles in their possession to show which vehicle such part was removed from. The new law also directs the Commissioner to establish a motor vehicle theft prevention program within his department.

## 3. Senate Bill 2253. (Did not become law)

This bill would have required motor vehicle manufacturers to affix vehicle identification numbers to the major component parts of automobiles sold in New York. Major component parts were identified as the engine, cowl transmission, frame, each door, trunk floor and each front fender or each rear fender of rear panel.

Contact—Pete Derrick, Senate Transportation Committee, Room 811, Legislative Office Bldg., Albany, N.Y. 12247, Telephone: 518-455-3344, or Nancy Ostreicher, Senate Commerce Committee, Room 506, The Capitol, Albany, N.Y. 12247, Telephone: 518-455-2831.

## NEW YORK CITY COUNCIL

New York City has a major problem with vehicles that have been stolen but have been abandoned by the thief. If a stolen vehicle is found on the street by the police but is not removed quickly, it often becomes the target of vandalism. To alleviate this problem, the New York City Council passed a law, effective June 1, 1979, which will allow the towing of recovered previously abandoned vehicles to impoundment lots by private towing companies.

For further information contact: Paul Gilliland, National Automobile Theft Bureau, 300 North Broadway, Jericho, New York 11753, Telephone: 516-935-7272.

## MICHIGAN

Michigan House Bill 5371, which was signed into law on December 13, 1978, becoming Public Act No. 507, amends the Michigan Vehicle Code to provide for the licensing and regulation of businesses engaged in wrecking, salvage or processing salvage vehicles for scrap. Such businesses will be required to maintain records of each vehicle bought, sold or exchanged.

The new law also requires the surrender of the title when a late-model vehicle becomes salvage. In return, the owner will receive a salvage certificate of title. Neither a new title nor registration plates could be issued for a vehicle for which

a salvage certificate was issued unless a police officer certified that the vehicle identification number was accurate, that the owner has proof of ownership of repair parts used, and that the vehicle complied with the Michigan Vehicle Code equipment standard. Police certificates would accompany the application for a new title for such a rebuilt vehicle. An insurance company which acquires a late-model vehicle through payment of damages due to an accident could not sell the vehicle without first receiving a salvage certificate which would be assigned to the buyer.

House Bill 5373, Public Act 494, signed December 11, 1978, provides criminal penalties for persons who remove or deface a manufacturer's serial number or the engine or motor number on a motor vehicle or who replace a part of a motor vehicle bearing the serial number or motor number of the vehicle with a new part, upon which the proper serial number or motor number has not been stamped.

*Contact.*—Terry Vanderveen, Michigan Association of Insurance Companies, 802 Capitol Savings and Loan Building, Lansing, Michigan 48933, Telephone: 517-487-8297.

## OHIO

During 1975 a number of bills were introduced in the Ohio Legislature aimed at reducing the incidence of auto theft. In addition, Senator Thomas E. Carney and Ms. Ronnie Rucks of the Greater Cleveland Crime Prevention Committee, and others, have established an Ohio Auto Theft Task Force to heighten public awareness of the problem and to work towards a consensus as to what should be done to prevent auto theft. This task force has conducted a number of hearings throughout Ohio.

*Contact.*—Senator Thomas E. Carney, State House, Columbus, Ohio 43212, or Ms. Ronnie Rucks, Executive Director, Greater Cleveland Crime Prevention Committee, 1835 Williamson Building, Cleveland, Ohio 44114, Telephone: 216-241-0132.

Ohio Senate Bill 191, introduced by Senator Carney, would increase the penalty for theft of a motor vehicle or for receiving stolen motor vehicles from a fourth degree felony to a third degree felony.

Ohio Senate Bill 120, introduced by Senator Ronald Nabakowski, would require that every passenger car manufactured after January 1, 1981, have vehicle identification numbers permanently affixed by the manufacturer to major component parts, defined as the engine, the transmission, each door, each cove support or fender, the hood, the trunk lid and the rear body section, before the vehicle could be sold in Ohio. Any major component replacement part manufactured after January 1, 1981, would have to be marked to indicate it was a replacement.

Senate Bill 121, also introduced by Senator Nabakowski, would require state licensing of salvage dealers and would mandate that proper records of salvage vehicles be maintained by these dealers. Moreover, a Motor Vehicle Salvage Dealer's Licensing Board would be created to share administrative responsibility for licensing with the Registrar of Motor Vehicles. The board would be composed of the Registrar and four members approved by the Governor, each of whom would have to have operated motor vehicle salvage facilities for at least five years.

*Contact.*—Senator Ronald Nabakowski, State House, Columbus, Ohio 43216, Telephone: 614-466-8842.

Ohio House Bill 615 would require inspection of motor vehicles by insurance companies prior to the issuance or renewal of a motor vehicle insurance policy to verify the identity of the motor vehicle with the information on the certificate of title. This bill is aimed at lowering high auto insurance premiums by reducing the incidence of insurance fraud.

*Contact the sponsor.*—Representative Joseph P. Williams, Ohio House of Representatives, Columbus, Ohio 43215, Telephone: 614-466-5358.

Many of the legislative proposals in Ohio have been supported by the Ohio Auto and Truck Recyclers of America (OATRA), which represents the majority of auto and truck dismantlers in the state. OATRA believes that the recycling industry must take a leading role in the prevention of auto theft.

*For further information contact.*—Robert T. Lambert, Executive Director, Ohio and Truck Recyclers Association, 4041 North High Street, Suite 400, Columbus, Ohio, Telephone: 614-238-5488.

## ILLINOIS

The Illinois Secretary of State, Alan J. Dixon, has been extremely active in trying to curb auto theft. As Secretary of State, he is Chief Administrator of the Motor Vehicle Laws and is responsible for the issuance of driver's licenses, certificates of title and other documents. Secretary Dixon has taken three initiatives against auto theft since he assumed office in January, 1977. First, he assigned a title verification unit in the Motor Vehicle Department headquarters, which examines two and one-half million titles per year for suspicion of alteration. His second initiative was creation of an alterproof certificate of title. Secretary Dixon's third initiative is perhaps the most important. Illinois law requires all recyclers, rebuilders and used parts dealers to keep records of vehicles and parts they handle and the law authorizes the Secretary of State to prescribe rules for record keeping.

In August, 1978, Secretary Dixon issued a new rule, requiring records of the licenses to be kept in a police ledger book, a more thorough identification of people licensees do business with, and better records of vehicles and parts that are handled. For essential component parts, licensees will record the vehicle identification numbers of the vehicle the component was removed from.

In the Spring of 1979, Secretary Dixon sparked the creation of a Mid-Western Regional Task Force on Auto Theft composed of representatives from Illinois and surrounding states. This task force was created after a meeting in Springfield with members of the National Liaison Committee on Auto Theft Prevention. One of its prime goals is to reduce the activity of "chop shops" and the movement of parts from stolen vehicles.

A number of auto theft bills were introduced in the Illinois Legislature in 1979. House Bill 1922 would enable the Secretary of State to license body shops. The bill would also increase the penalties for sale and use of fraudulently obtained, altered or forged titles. Moreover, the bill provides that any person seeking a license from the Secretary of State will be investigated with the authorization of the applicant.

Illinois Senate Bill 117 would require that motor vehicles sold in Illinois must have had their vehicle identification number affixed in certain major component parts. The bill also increases the penalties for altering or removing a VIN number. Illinois Senate Bill 129 would grant to the Secretary of State, his representative or any police officer the right to inspect the records and premises of dealers, transporters, wreckers, rebuilders and scrap processors for ascertaining compliance with state law. It also provides for the licensing of vehicle auctioneers.

*Contact.*—Craig Lovitt, Assistant to the Secretary of State, The Capitol, Springfield, Illinois 62756, Telephone: 217-482-4030.

## WASHINGTON

In recent years, the State of Washington has passed four laws designed in part to combat auto theft. They are Chapter 46.12, Certificates of Ownership and Registration (1974); Chapter 46.52, Accidents, Reports, Abandoned Vehicles (1975); Chapter 46.70, Haulers and Scrap Processors Licenses (1971); and Chapter 46.80, Motor Vehicle Wreckers (1977). These laws are concerned with maintaining an audit trail of vehicles from the time of manufacture until the vehicle is scrapped. This involves the licensing of businesses such as wreckers, haulers and scrap processors; the return of the title to the state when a vehicle is declared a total loss; inspection of out-of-state vehicles before registration; proper record keeping by licensed businesses, including records of major component parts; definition of major component parts, and a number of other items. Washington's system of national regulation is considered to be one of the best in the nation.

*Contact.*—Gene Baxstrom, Transportation Committee, Room 235, House Office Building, Olympia, Washington 98504, Telephone: 206-753-3402.

## CALIFORNIA

During the early 1970's, California conducted a vehicle theft control study, which made several recommendations for state action. Following this study, the California Highway Patrol was given the responsibility of statewide coordination of vehicle theft prevention activities. With the aid of a federal LDAA

grant, the state then proceeded to conduct a three-year vehicle theft control project. The reports of this project contain a wealth of information about auto theft in California. One of the accomplishments of the project was the development of an innovative, computerized vehicle theft information system called VTIS. VTIS provides field officers with prompt read outs on newly reported thefts. It also furnishes law enforcement management with summary information on trends in theft.

Among the reports produced are:

- California Vehicle Theft Study: Final Summary Report (1972)
- Vehicle Theft Control Project: Program Guidelines (1974)
- VTOP Evaluation Report; Final Project Year, 1975-76 (1976)
- Vehicle Theft Control (1977)

For further information contact.—Commissioner Glendon B. Craig, California Highway Patrol, 2555 First Avenue, Sacramento, California 95804, Telephone: 916-445-2180.

Recent legislation proposed in 1979 is as follows:

Senate Bill 638 would grant local police who are primarily engaged in vehicle theft investigation the power, currently held by the California Highway Patrol, to inspect vehicles on highways and in garages, repair shops, etc., in order to locate stolen vehicles.

Assembly Bill 738 would improve procedures regarding storage of recovered stolen vehicles after they are removed from the street.

Contact.—Larry McNeely, Department of Justice, 3301 O Street, Sacramento, California 95810, Telephone: 916-445-7736.

#### ARIZONA

Chapter 180 of the Laws of 1979, effective July 30, 1979, deals with the disposition of salvage vehicles. A salvage certificate is required and every licensed wrecker and salvage dealer will maintain specified records, to be available for inspection. Inventory is also subject to inspection. Vehicles rebuilt for use on the public highway must be inspected before they can be registered.

Contact.—Lt. Col. Ronald Hoffman, Criminal Investigations Bureau, Department of Public Safety, 2370 North 20th Avenue, Phoenix, Arizona 85007, Telephone: 602-202-3300.

#### TEXAS

In 1977, Texas passed a law which is considered by many to be a fine example of proper salvage vehicle control procedure. It requires salvage dealers to maintain accurate records of motor vehicles and major component parts coming into their possession and to allow inspection of such records by peace officers. It also defines "major component parts".

For information contact.—Charles Evans, National Automobile Theft Bureau, Southwestern Division, 1341 West Mockingbird Lane, Dallas, Texas 75247, Telephone: 214-630-1000.

#### LOUISIANA

Louisiana Act 671 (1978), effective January 1, 1979, aims to put all salvage dealers under an effective and enforceable license system. Under this law, the handling of salvage vehicles is restricted to licensed salvage dealers. Each dealer is required to maintain records of all purchases and sales for three years from the date of the transaction. These records are subject to inspection. House Bill 157, proposed in 1979, is meant to clarify certain provisions of Act 671.

House Bill 382 (1979), relating to "search and seizure", is intended to put the burden of proof of ownership of major component parts on the licensed auto recycler. The dealer would be required to have his recycler's license number on all invoices of sales and purchases. An investigator would be empowered to conduct a search of any salvage yard and could seize any major component crash part when proof of ownership was not on the premises. Upon presentation of proof of ownership, the part would be returned.

Contact.—Bob Stuart, 100 Upper Third Street, Alexandria, Louisiana 71301, Telephone: 515-445-8271.

#### VIRGINIA

Chapter 401 of the Laws of 1979, effective March 1, 1980—Disposition of Salvage Motor Vehicles. This new law requires every salvage pool or demolisher to

obtain an appropriate certificate of registration as a dealer in salvage vehicles. In addition, insurance companies are required to obtain a certificate of title for each salvage vehicle they acquire. This title must clearly indicate that the vehicle has been declared a total loss. The Act also makes several charges covering the transfer of salvage vehicles.

*Contact.*—T. W. Butch Wehler, Jr., 5111 Old Midlothian Pike, Richmond, Virginia 23224. Telephone: 801-233-5481.

#### KENTUCKY

Kentucky is now the only state that does not have a motor vehicle certificate of title law. Under Kentucky's present system (Chapter 180A, 1970, Automotive Registration Code), evidence of ownership of a vehicle is in the form of a single document labeled a "Certificate of Title and Registration". These are obtained at the county clerk's office. The intent of Chapter 180A was the development of an automated motor vehicle registration system with each county clerk using a telecommunications terminal connected to a central data base in Frankfort.

The basic purpose of this system is to collect vehicle sales and usage taxes; it is largely unconcerned with reducing traffic in stolen vehicles and parts. The State has no requirement that a salvage certificate or salvage title be obtained for a vehicle that has been wrecked or otherwise destroyed.

It has been claimed that shortcomings of the existing law facilitate obtaining an apparently valid document of ownership for a stolen vehicle and facilitate "salvage switch" auto theft operations. Senate Bill 320 was introduced in the 1978 Session of the Legislature but was not passed. It will be reintroduced in a modified version in the 1980 General Assembly. This bill was aimed at clearing up problems of existing law, especially as it relates to the possibility of registering stolen vehicles. Among other provisions, the bill specifies that county clerks will forward surrendered documents to the Kentucky State Police Auto Theft section for review. This section will certify its review on a high-security title blank from data entered by the county clerk. Issuance of title is to be carried out by the State Department of Transportation within three days after receiving the title document from the police.

The proposed bill would also require the obtaining of a salvage certificate for wrecked vehicles and would require salvage dealers and recyclers to maintain records by vehicle identification number of the source and disposition of salvage vehicles and major component parts, beginning with vehicles and vehicle parts of model year 1982.

*Contact.*—Gerard Barhard, Assistant Attorney General, 200 St. Clair Street, Frankfort, Kentucky 40601, Telephone 502-564-2348.

#### IOWA

By chapter Law 321 of the Code of 1978, effective January 1, 1979, Iowa is attempting to reduce the traffic in stolen vehicles and their parts through tightening titling and registration requirements. This Act gives the treasurer in each county the responsibility of overseeing registration and titling of vehicles owned by county residents. The county treasurer will maintain a county record system for vehicle registration and certificate of title documents and will issue registration receipts (to be exchanged for plates) and certificates of title to those people living within their county. When a person junks or dismantles his car, the county treasurer shall cancel such person's records and forward the certificate of title to the department of motor vehicles. The department of motor vehicles will enter the information received from the counties in a central data bank.

*Contact.*—Senator Ray Taylor, State Capitol, Des Moines, Iowa 50300, Telephone: 515-281-5307.

#### MASSACHUSETTS

Existing Massachusetts law mandates that insurance companies provide discounts on policies for motor vehicles equipped with anti-theft devices. The problem with this law has been determining which devices are effective. House Bill 1281 (1979) would establish a state board to review the effectiveness of devices now available on the market and to compile a list of such devices.

*Contact.*—Frank Fulginiti, Division of Insurance, 100 Cambridge Street, Boston, Massachusetts 02202, Telephone: 617-727-3374.

Senator NUNN. What about the numbering of parts of automobiles. Are there any Federal-State laws that require numbering of parts? I think there are some Federal identification laws, but what parts are required to be numbered, if any, by Federal law and which parts are required to be numbered by State law, in the more comprehensive States.

Mr. MARKS. Well, Senator Nunn, under current Federal law, there is no stipulation for the numbering of parts. However, I might point out to you the State of Georgia, in 1967, passed a landmark law which I would like to enter into the record, which requires that all new passenger car motors and transmissions must be marked with unique vehicle identification numbers.

[The law referred to follows:]

[From Georgia Code Annotated]

CHAPTER 68-20. IDENTIFICATION OF MOTOR VEHICLES AND PARTS

Sec.

68-2001	Required identification numbers
68-2002	Identification numbers; method of installation
68-2003	Definitions
68-2004	Records to be kept
68-2005	Application

*Cross References*—Motor Vehicle Certificate of Title Act, see Chapter 68-1A. Sale of used motor vehicles by nonresidents, see Chapter 68-9. Records to be kept by purchasers of used vehicles or parts, see § 68-1802 et seq. Used car dealers, generally, see Chapter 64-30. Registration of dealers in used motor vehicle parts, see Chapter 64-40.

*Editorial Note*—The effective date of this Chapter is January 1, 1967.

68-2001 Required identification numbers

(a) *New passenger cars and components manufactured within this State.*—After the effective date of this Chapter, passenger cars, passenger car engines, and transmissions, as specified herein and manufactured within this State and intended for sale to the general public within this State, shall be required to have placed upon them a vehicle identification number or component identification numbers. The required vehicle identification number shall not be the same as the vehicle identification number of any other passenger car manufactured by the same manufacturer. The vehicle component identification number shall not be the same number as the component identification number for any other like component manufactured by the same manufacturer, but may be the same as the vehicle identification number if the components are installed as original equipment on the passenger car.

(b) *New passenger cars sold within this State.*—After the effective date of this Chapter, no new passenger car shall be sold to the general public in this State unless such passenger car shall bear a vehicle identification number which shall not be the same as the vehicle identification number of any other passenger car made by the same manufacturer.

(c) *New components sold within the State.*—After the effective date of this Chapter, no new passenger car engine or passenger car transmission, as specified herein, shall be sold to the general public in this State unless the same shall bear an identification number which shall not be the same as the identification number for any other like passenger car component made by the [same manufacturer, except that such numbers may be the same number as the] vehicle identification number if the particular components have been installed as original equipment in the passenger car prior to its sale to the general public.

(d) *Attachment.*—The vehicle identification number required in subsections (a) and (b) shall be easily accessible for inspection.

(Acts 1966, p. 188; 1967, p. 113.)

*Cross Reference*—Penalty for violation of Chapter, see § 68-9038.

*Editorial Note*—Acts 1967, p. 113, entirely superseded the former section. Matter in brackets was taken from the Act of 1966, as it was apparently omitted from the 1967 Act by inadvertence.

#### 08-2002 Identification numbers; method of installation

(a) *Permanent manner.*—The identification numbers required by section 08-2001 shall be placed upon the passenger car and components required to be numbered in a permanent manner so that any attempt to remove, alter, deface, obliterate or destroy them will be ascertainable.

(b) *Method of installation.*—The permanent manner required by this Chapter may be any suitable manufacturing process that will result in such number becoming a permanent part of the passenger car or component. They shall be of a height and width easily readable by the naked eye. They may consist of letters, numbers, digits or any combination of them.

(c) *Certain alternate methods.*—The identification numbers required by section 08-2001 may be in accordance with recommended practices approved by the Society of Automotive Engineers as to material, lettering, manufacturing and installation.

(d) *Installation.*—The identification numbers required by section 08-2001 shall be placed upon the passenger car and required component parts by the manufacturer thereof.

(Acts 1966, pp. 188, 189; 1967, pp. 113, 114.)

*Editorial Note*—Acts 1967, pp. 113, 114, entirely superseded the former section.

#### 08-2003 Definitions

(a) *Passenger cars.*—Every self-propelled motor vehicle designed for carrying 10 passengers or less except trackless trolleys, devices moved by human power or used exclusively upon street-car rails or tracks or overhead trolley wires shall be considered a passenger car.

(b) *New passenger cars.*—Any passenger car which has never been the subject of a sale at retail to the general public shall be considered a new passenger car.

(c) *Used passenger cars.*—Any passenger car which has been the subject of a sale at retail to the general public shall be considered a used passenger car.

(d) *Component.*—Each of the following passenger car components shall be considered a part for the purpose of requiring a component identification number: engines and transmissions.

(e) *Person.*—Any natural or artificial person, firm, corporation, partnership or other association or business relation.

(Acts 1966, pp. 188, 189; 1967, pp. 113, 115.)

*Editorial Note*—Acts 1967, pp. 113, 115, entirely superseded the former section.

#### 08-2004. Records to be kept

Any person, firm or corporation who purchases or sells or offers for sale any used passenger car, engine or transmission required to be numbered by this Chapter shall keep a permanent record of such transactions. Such record shall include from whom the item was purchased and his address and to whom the item was sold and his address, as well as the item and its identification number or numbers. Such records shall be required to be kept for a period of three years from the date of the transaction and shall be available to all law enforcement officers for inspection at any reasonable time during business hours without prior notice or the necessity of obtaining a search warrant.

(Acts 1966, pp. 188, 190; 1967, pp. 113-116.)

*Editorial Note*—Acts 1967, pp. 113, 116, entirely superseded the former section.

#### 08-2005 Application

(a) The provisions of this Chapter requiring vehicle identification numbers on passenger cars shall only apply to those passenger cars manufactured after January 1, 1967, and where the same is designated by the manufacturer as a 1968 or subsequent model.

(b) The provisions of this Chapter shall not apply to motorcycles, motor-driven cycles, school busses, farm tractors, busses, truck-tractors, road tractors, trucks, trailers, semi-trailers, pole trailers or street cars as defined in an Act regulating traffic upon the highways [see *Editorial Note*, post], [or to] special purpose vehicles, which include:

Type 1. Truck chassis with body (other than station wagon or bus body) designed primarily for the transportation of persons.

Type 2. Truck chassis with other features designed for a specialized requirement such as fire fighting, wrecker, snowplow, etc.

Type 3. Truck chassis with station wagon body.

Type 4. Passenger car chassis with body designed for the commercial transportation of persons.

Type 5. Bus chassis with other features designed for a specialized requirement such as mobile laboratory, office, post office, classroom, studio, rescue unit, library, etc.

Type 6. Utility vehicle—A motor vehicle with a removable top designed for carrying passengers and/or cargo with particular features for operation both on highway and cross-country, nor shall this Chapter apply to go-carts or any vehicle whether self-propelled or otherwise which is not required to be issued a license plate under the laws of this State. This Chapter shall not apply to the components of any vehicle excluded by this subsection.

(Acts 1966, pp. 188, 191; 1967, pp. 113, 117.)

Editorial Note—Acts 1967, pp. 113, 117, entirely superseded the former section. The vehicles referred to in subsection (h) were formerly defined in § 68-1502. However, this section was repealed by Acts 1974, p. 633, which enacted Title 68A. For present definitions, see § 68A-101.

Editorial Note—Acts 1967, pp. 113, 117, entirely superseded the former section. The vehicles referred to in subsection (b) were formerly defined in § 68-1502. However, this section was repealed by Acts 1974, p. 633, which enacted Title 68A. For present definitions, see § 68A-101.

Senator NUNN. The motors and the transmissions?

Mr. MARKS. Motors and transmissions. I think we owe a great debt of gratitude to the State of Georgia and the State of Tennessee which 2 years later followed with the same type of law mandating that the manufacturers put these numbers on because we have learned from law enforcement and from some of the thieves that we have talked to, that even though the engine and transmission are very valuable parts on an automobile, they are quickly disposed of and they probably would not be stolen if they weren't attached to the sheet metal parts, they are quickly disposed of because the thieves have told us these numbers can lead to their arrest and prosecution. So in many cases, the insiders have told us that they have thrown them into rivers, into streams, in many cases they will take them to metal crushers where these engines are crushed into millions of metallic pieces.

Chairman NUNN. When one State like Georgia, Tennessee, or both, require identification numbers on motors and transmissions, do the manufacturers then adopt a uniform numbering system over the whole country or is that just in those States?

Mr. MARKS. Well, the manufacturers have told us that they are not going to produce cars just solely for the sale within Georgia or Tennessee. It would be impossible from a manufacturing point of view to do that.

All cars that are passenger cars that are now sold in the United States and Canada have numbers on the motors and the transmissions.

Now, in 1974, General Motors started putting numbers on the motors and transmissions for pickup trucks, and in 1979, the Ford Motor Co. started to put numbers on motors and transmissions of their pickups. Regrettably, as I understand it, Dodge pickups do not have numbers on their motors and transmissions.

Chairman NUNN. Is there any incentive for the manufacturers to put numbers on these parts if it's not required by law? In other words, how does an automobile manufacturer get hurt if the theft rate goes up 50 percent? Wouldn't that simply mean that more cars are sold? Is there any incentive for the manufacturers themselves to take initiatives here in the absence of State or Federal laws?

Mr. MARKS. Well, I would think that it's a question of being a good corporate citizen. We all have to do our role in order—

Chairman NUNN. Beyond that, is there any price incentive?

Mr. MARKS. Obviously if a person believes that his automobile is going to be much more secure and is going to be less prone to theft, he is going to be a more satisfied owner. Obviously a person might be reluctant to purchase a certain model or certain type of automobile if he or she believes that they are going to have to pay more for insurance coverage because that model happens to be theft prone.

We know that some of the insurance carriers today are starting to rate cars quite severely that have higher theft rates.

Chairman NUNN. So that would begin to provide an incentive for purchasers to look for certain models then, is that what you are saying?

Mr. MARKS. That is correct.

I think one major insurance carrier just announced this year that it is going to start offering discounts to certain motor vehicles that have better security devices on them. They are harder to steal. I think this is a really good trend and perhaps the manufacturers will begin to respond more rapidly to the pressing need to provide better security.

Chairman NUNN. Have you gotten any figures—I think my time has about run out, Senator Percy. One other question. Have you gotten any figures from the manufacturers of automobiles as to what it costs for them to put identification numbers on the motors and the transmissions and what it would cost them to put identification numbers on other parts?

Mr. MARKS. We sent letters out to all the major foreign and American manufacturers. Those that responded to that particular issue, Mr. Chairman, provided data on their cost per vehicle to number motors, transmissions and confidential locations. The figures are as follows: General Motors \$1; Ford \$2; Chrysler \$2.60; American Motors \$1.50; Nissan (Datsun) \$0.15 to mark only the engine.

In terms of putting additional numbers on major sheet metal components, the highest estimate that we got was that it would cost \$5 per vehicle, including labor costs to put these numbers on.

Senator PERCY. I think the point you have made is a very good one. Cost is relatively low and the very parts that are the most crash prone, bumpers, doors, hoods, fenders, have no identification numbers whatsoever. In fact, we have evidence that those numbered parts are dumped very quickly. And if those numbers are filed off, the penalty is very, very slight indeed. So all we have to do is severely increase the penalties for removing numbers and see that numbers are put on more parts. It seems quite simple. I found from my own experience at Bell & Howell Co. that theft rates were lower generally for those cameras that had serial numbers.

Eventually, these cameras would come in for repair. If they had been stolen, this would be reflected by our master list, and this was even before computers. It was a very simple way to hold down thefts of high-priced, easy-to-steal products.

Chairman NUNN. I am a great believer in the incentive system. If insurance companies can be encouraged to rate automobiles as to their susceptibility to theft—as you indicated some insurance companies are already doing that voluntarily—if all insurance offered a dis-

count, I think you would probably see some real initiative in the manufacturing area. It seems to me that in the absence of the incentive system based on susceptibility to theft, you really have an incentive not to do it if you are a manufacturer because the more cars stolen, the more you are going to have to produce, isn't that right, just in the pure price sense?

Mr. SHAPIRO. I think you are correct.

Senator PERCY. Senator Cohen.

Senator COHEN. I have a couple of questions, Mr. Chairman. Do the insurance companies contribute to the problem of retagging? In other words, we seem to have kind of an inflationary spiral involved, the more cars stolen, the more insurance that has to be paid to cover the loss. That in turn is passed on to the consumer in the way of higher premiums.

You indicated that the insurance companies take the wrecks, they then sell them at an auction in which the tags are then removed and put onto new vehicles, which are given a new identity.

The question I have is whether or not the insurance companies are indirectly contributing to the problem of retagging and whether or not some consideration ought not to be given to a company that has purchased or has taken under an insurance policy the right title and interest after having paid a claim on a wrecked vehicle that cannot be used except for spare parts. Wouldn't there be a contribution to solving the retagging problem by forcing insurance companies to remove those tags if, in fact, the vehicle cannot be sold to anybody for purposes of reuse but only for parts?

Mr. MARKS. Law enforcement officials have told us one effective step the States can take is to issue a junk title or death certificate when a wreck cannot be conceivably rebuilt and is only being purchased in order to be involved in a retag operation.

Senator COHEN. But how long would it take? For example, if it cost 50 cents or \$1 to put the tags on, how much of an effort would it be to remove the tags before it is sold for junk?

Mr. MARKS. Some of the thieves removed the tags in a couple of minutes.

Senator COHEN. All I am suggesting there may be some reason, as Senator Nunn indicated he believes, to have insurance companies remove some of those tags from the vehicles before they dispose of them so they don't contribute to the problem of retagging themselves and thereby just continue the spiral.

Mr. SHAPIRO. Senator Cohen, I think you hit upon a very good point. The insurance companies or the States could inspect the vehicles to determine if they have been rebuilt because, if a vehicle has been retagged, a good auto theft investigator can tell the difference between the way the manufacturer places a VIN plate on and the way a retagger does in most cases. If the insurance companies, before they insure a car, would inspect that car, make sure it is a legitimate car, I think there would be a significant reduction in the theft rate. A case in point is New York State, which had a tremendous problem. The New York State commissioner finally decided in 1975 to require the insurance companies to inspect the cars, not so much to determine if they were stolen but inspection for safety and to reduce the insurance fraud problem, to make sure there was in fact a car present.

The results of this inspection program have been promising. There has been a slight decline in the theft rate.

Concerning insurance fraud, some people are calling up and in some cases insuring a car that doesn't exist. They can call over the phone and say, "I have got this car, here is the title," give them the VIN number, the insurance company writes out a policy, even though there is no car. There are also certain steps the insurance companies can take to reduce the retag operations. These are things we are looking into right now.

I think the questions you raise are some of the questions we are raising.

Senator COHEN. In some of the material I looked over you indicated professional automobile thieves can steal any car of their choice in less than 2 minutes. The question I have is, if we pass legislation or if there are certain incentives that are given to insurance companies, to all manufacturers, to produce cars that have antitheft devices, locate the interior lock in a more inaccessible place, or have the locked steering column, will these devices prove effective against professional thieves? In other words, I have an AMC Pacer, for example, and when I lock myself out of that car, I can't get back in with a hanger because of the placement of the lock in a remote place. What about the locked steering column, what about the location of the interior lock, have those proved effective at all, and, if not, what kind of antitheft devices do you think we should be looking at?

Mr. MARKS. On the final day of our hearings, on December 4, Senator Cohen, we will be presenting a witness from the Arthur D. Little Co. Mr. John Howland, who will be presenting a film about a locking system he developed as part of the study for the Department of Transportation. A former professional thief gave up trying to defeat this ignition locking system after 17 minutes.

We don't want to lead to the feeling that there is nothing that can be done, that the situation is hopeless. Certainly devices put on by the manufacturers in recent years have contained some of the amateur theft. Certainly a lot more has to be done, and we will be presenting some testimony during these hearings on this issue.

Senator COHEN. I just mention it because some of the material I have been reading indicates professionals "can steal any car of their choice in less than two minutes." Professionals can still defeat the door lock systems. If that is the case, I am wondering what kind of things we are going to be recommending.

Mr. MARKS. I think this last witness we are going to put on on Tuesday will get into the issue of how we might address the serious-minded professional thief.

Senator COHEN. Senator Percy's bill would require that we add to the VIN numbers, vehicle identification numbers. To the extent those become standardized, would it not take a great deal of time for the professional thieves or chop shop operators to determine where those numbers are and to remove them?

Mr. MARKS. We would hope that if numbers were mandated by the Secretary of Transportation, after he found it cost effective, that they would be put on in such a way that they could not easily be removed by the thieves.

Senator COHEN. Are they easily removed now?

Mr. MARKS. Well, in some ways—there are so few of them on that it is not much of a problem because the parts are disposed of. However, we do know that numbered engines, transmissions, and cowlings are quickly disposed of by the thieves.

Now, theoretically there might be an incentive to try to attempt to remove those numbers if they were on a highly priced part. But we believe that there are manufacturing processes available right now that would mean those numbers could be put on in such a way that they could not be easily removed and if they were removed, there would be a stiff Federal penalty involved, a \$5,000 fine, and 5 years in prison so that in itself should serve as a deterrent.

Senator COHEN. But without any change in the local law enforcement attitude, it really is not going to correct the problem. We can put on all the VIN numbers and all the new locking devices. Unless you have more time and personnel on the part of local police departments devoted to car theft, it really isn't going to change very much, is it?

Mr. SHAPIRO. I think you have hit a very crucial point which is local law enforcement does need help. There is no question about that, but they also have to help themselves. If the tools are given to them, they are still going to have to increase manpower and devote more attention to the crime. They recognize the fact, the crime of auto theft has changed dramatically today. It no longer is what it once was. But there has been no recognition by the city governments to allocate more money or resources, to shift the manpower to deal with this extremely costly crime. There is no question law enforcement is going to have to change their attitude. In this vein, the subcommittee did a survey of local law enforcement to get an idea of what exactly they were doing. The results were fairly disappointing. We found, in general, local law enforcement has not increased their resources at all in the area of auto theft.

Senator COHEN. There hasn't been much public pressure because it is viewed as a victimless crime pertaining to property. The police have problems of serious crimes of violence, of body injury, of robberies, and rapes. They are being confronted politically, because of an enraged constituency, as such, or because of people who live in the community; there hasn't really been a lot of incentive because the price of auto theft has been passed on in the form of higher costs to everybody. It is the socialization of crime in America, isn't it?

Mr. SHAPIRO. I think the answer Senator, is the squeaky wheel gets the oil. The fact of the matter is the person who loses his car does not go screaming bloody murder because he is going to get compensated to some degree by his insurance company.

If they realized they were paying out of their pockets for insurance premiums which are skyrocketing, they might start screaming. That correlation is not really made, and in consequence it is the crimes you mentioned; murder, rape, robbery, which are the crimes which get law enforcement attention.

Senator COHEN. Just one more question, Mr. Chairman. You indicated there has been an increase in the use of juvenile accomplices to these crimes. Has there been any evidence you have detected on the

part of the States to change the treatment of juveniles who are engaged in this kind of crime? For example, several years ago we had hearings in New York City about crimes against the elderly who were being beaten and robbed, and there was a rather prevalent attitude at that time that changes were going to be made in the State of New York pertaining to juveniles who beat the elderly.

Is there any evidence you have uncovered that that would be done with respect to this massive problem?

Mr. SHAPIRO. No; I don't think so. I think, unfortunately, the problem is when a juvenile is apprehended for the theft of a car, he may have stolen 250 cars before then, and he could be a real hard pro at the age of 16, but unfortunately the judge can only evaluate the one case which he has before him, which is a single car. The juvenile has no record before him, the odds are he is never going to be caught—it is very difficult to apprehend an auto thief. He can say this boy is a first-time offender, he should be out in the street playing baseball, so he sends him back with a slap on the hand. Of course, we know what this 16-year-old boy is going to continue to do.

Senator COHEN. So in addition to trying to devise ways in which we can either increase the identification of stolen parts of a vehicle, we also have to try to change the public attitude toward the nature of the crime so we do not encourage the socialization of crime. We must also encourage a change in attitude on the part of local law enforcement officials, including the judiciary.

Mr. SHAPIRO. Without a doubt.

Senator COHEN. Without that, everything we do here really isn't going to amount to anything.

Mr. SHAPIRO. It must be a wholistic effort, everyone has to carry their load. We have to give local law enforcement added tools. They do need them but they are going to have to devote more attention to the problem if they are going to have a significant impact.

Senator COHEN. That is all I have, Senator.

Senator PERCY. Thank you, one of the most important aspects of these public hearings is to change public attitudes. Changes can be brought about only with cooperation on the part of the public as well as local law enforcement. One piece of legislation, alone, will not correct this situation. It will help, especially if reinforced by local support. One last question before we go on to our first outside witness, then.

Can you explain the importance of the recovery rate? Can you tell us exactly what a 61-percent recovery rate, as against 87 percent 10 years ago, actually means? Does that mean of 100 cars stolen, 61 are actually returned?

Mr. SHAPIRO. That is an interesting question.

Clearly, the decline in the recovery rate from 87 percent to 61 percent indicates that the professionals are stealing many more cars today. Professional thieves, by and large, leave no evidence to be discovered. But in defining recovery, when you say 61 out of 100 cars, or a 61-percent recovery rate, that does not mean the car is actually recovered intact, returned to the owner and put back on the road. A law enforcement will consider a recovery to be an identifiable engine attached to a frame.

Senator PERCY. In other words, if the police find the engine only, and many times the engine will be discarded because it has a serial number on it, the engine will be called a recovery.

Mr. SHAPIRO. In some cases that will be considered a recovery because they said obviously this car was stripped and chopped and we are never going to find the car, so we might as well cross it off our records. So this is recovery. The end result is the insurance company will pay a total loss and that cost of course is passed on to the consumer. But for the statistics, that is considered a recovered car. The conclusion, however, should not be 61 out of every 100 vehicles stolen are returned in drivable condition to their owners.

Senator PERCY. If a family gets an engine back, it is not going to transport the family around.

Mr. SHAPIRO. It is not going to take them too far.

Senator PERCY. We thank you both very much, indeed.

Our first witness will be known as Mr. John Smith. If he will be brought forward, please.

I would like to say that one of the reasons that our hearings were delayed several weeks was simply because several witnesses told us they felt the risk was too great for them to testify. They had previously agreed to testify, then decided not to testify as they became concerned about their own safety.

Our next witness, Mr. John Smith, as he will be called today, is currently incarcerated. Prison officials feel that there will be some risk to his security if his real name is used and if his face is photographed. Therefore Mr. Smith will use a false name and wear a head covering while testifying.

Mr. Smith, it is a subcommittee rule that we swear in our witnesses. Would you rise, please?

Do you swear the testimony you are about to give will be the truth, the whole truth and nothing but the truth so help you God?

Mr. SMITH. I do.

#### TESTIMONY OF "JOHN SMITH" ACCOMPANIED BY ROBERT BURGER, ESQ.

Senator PERCY. I want to advise you of your rights and obligations as a witness before this subcommittee. First you have the right not to provide any testimony or any information which may tend to incriminate you. If you do so testify, anything you say here may be used against you in any other legal proceeding.

Second, you have the right to consult with an attorney prior to answering any question or questions.

Third, under the Rules of Procedures for the Permanent Subcommittee on Investigations your attorney may be present during this testimony.

Do you understand you have a right to an attorney here?

Mr. SMITH. Yes.

Senator PERCY. In that regard, would you state whether or not you have an attorney and, if so, would you give us his name?

Mr. SMITH. Yes, I do, I have an attorney here, on my left, Mr. Robert Berger.

Senator PERCY. Would you identify yourself?

Mr. BERGER. Robert Berger, Your Honor.

Senator NUNN. Mr. Smith, if you could pull that microphone up as close to you as possible and talk right into it, it would be of great help, I think.

Senator PERCY. As I have indicated, in addition to your rights as a witness, you also have an obligation while testifying before this subcommittee, you have sworn to testify truthfully. If you so testify, you are obligated to supply truthful responses so as not to subject yourself to laws and penalties regarding perjury.

Do you understand your rights and obligations as a witness?

Mr. SMITH. Yes, I do.

Senator PERCY. Again, I wish to express appreciation to you for helping this subcommittee in its work and for your appearance here today. Your testimony will be valuable and you can proceed to testify as you see fit.

Mr. BERGER. Excuse me Senator Percy, we have received a 14-page detailed affidavit from Mr. Smith which outlines his career as a professional vehicle thief. The affidavit has been properly identified. It does contain Mr. Smith's true name and specific details of his career that would correctly identify the affiant.

For these reasons, and especially due to possible jeopardy to his safety, I would request that this affidavit be entered at this time into the record as a sealed exhibit.

Senator PERCY. Without objection, so ordered.

[The document referred to was marked "Sealed Exhibit No. 8" for reference and is retained in the confidential files of the subcommittee.]

Mr. SMITH. My name is John Smith. Currently I am serving a 5-year sentence for conspiracy to transport in interstate commerce a stolen motor vehicle. The conviction resulted from my involvement in a major vehicle theft ring consisting of 40 to 45 individuals and five salvage yards that operated in nine States and Mexico. This criminal operation was responsible for 1,500 motor vehicle thefts.

I have personally stolen over 700 American-made cars in my life. At the time of my conviction, I could steal almost any American-made car in less than 90 seconds, and could steal most in 40 to 50 seconds. I have also stolen Porsches, Volkswagens, and two Mercedes-Benz cars, each in under 3 minutes. The rewards from vehicle theft can be staggering, some individuals in my group earned close to \$200,000 in 1977.

Growing up, I developed a strong interest in automobiles. After I graduated from high school, I held a number of jobs in the automotive field, including working as an automobile painter's helper, a line mechanic, and a general body man. In 4 or 5 years, I learned a great deal about automotive repair and body work.

In 1964, hoping to find more lucrative employment, I moved my family to southern California where I worked as a mechanic for local automobile dealerships. While living in southern California, I discovered that I could earn a substantial amount of money legitimately rebuilding salvage automobiles on my own. I could rebuild and sell about two cars a month working no more than 20 hours a week in my spare time.

After a few months of operation, my business was running pretty smoothly; however, with a family to feed, I was consistently looking for ways to increase my volume and profits. One day in 1966, after I had left a salvage yard that stocked spare parts, two men approached me on the street and asked me if I wanted to buy some inexpensive Corvette parts. They offered me a terrific deal on these parts; for instance, I was offered a set of bucket seats for \$150 when the going rate at area salvage yards was \$350. Other parts were also offered to me for less than half the going rate. I knew by the price of the parts that they were probably stolen but I needed the parts, and I knew I could not afford to buy them at legitimate prices. I decided to buy the stolen parts because they were not marked with any traceable factory numbers. No one could prove that these parts were stolen. I paid cash for the parts, and used them to rebuild a salvage Corvette.

Until these two thieves approached me, all my automobile dealings had been legitimate. Yet, the price of the "hot parts" was too good to turn down, and I continued to buy from the thieves. The idea of stealing cars for profit started to sound good to me because of the big money to be made. It seemed to me that anyone with common sense who wouldn't take stupid risks could get away with stealing cars. Within a few months, I had stolen my first car, a 1965 Corvette and had retagged it with the salvage from a wrecked 1965 Corvette. This was the start of a long and profitable relationship with a number of salvage yards in the southern California area.

During 1966 and 1967, I dealt primarily in legitimately rebuilding automobiles. Yet it became more and more tempting for me to buy stolen parts and even entire stolen cars. I also started to illegally rebuild and retag cars. For me, the risk in all this was minimal. I would carefully sanitize the stolen parts by removing all identification numbers, papers, and markings from the stolen merchandise.

In the midst of my illegal enterprise, I continued to work full-time at an automobile dealership. Yet as time went on, I paid less attention to my legitimate auto work. I leased two commercial garages and hired an old friend to do body work for me. Finally, in late 1967, I quit my legitimate job and started my own business in a garage behind my house. I legitimately rebuilt two or three cars per month and illegally retagged about one car a month. I dealt primarily in popular middle-sized models, including Camaros, Firebirds, Chevelles, and Corvettes. During 1968, I retagged about 40 cars.

I returned to my hometown in the spring of 1969, but became bored with the lifestyle there. I came back to southern California and started working for a legitimate rebuilding shop where I remained for about 2 or 3 months. I quit the job because I decided to start my own re-tagging operation. To carry out the operation, I rented a six-car commercial garage under a false name. An old friend, whom I had known since we were kids, and I started re-tagging cars together.

We rebuilt about four to six cars a month, half of which were illegal retags. I also stole cars pretty regularly and made good money from these easy thefts.

We did some of our work in my friend's own garage. Unfortunately for us, one of his neighbors got suspicious and called the police. In late 1970, the local police caught us red-handed with parts from a

1970 Chevy pick-up truck. Due to a technicality—the police neglected to obtain a proper warrant—the charges against us were dropped. But that arrest blew my cover, and the police arrested me on an unrelated 2-year-old warrant for auto theft. Eventually, I was sentenced to 1 year of weekend incarceration. I served 14 weekends of that sentence.

Even though my partner quit working with me after we were busted in his garage, I continued to work by myself out of my own shop for almost 5 months. I tried to stay straight and rebuild just enough cars to live on, but when money got tight I again started re-tagging. Because of my past record, I knew the police were probably watching me, so I had other people do most of my illegitimate buying and selling. Still, in early 1971, the police and the National Auto Theft Bureau came to the shop asking if they could look over my place. Certain that I had cleaned all the cars on the lot, I let them enter the shop. Unfortunately, the police found an air-powered impact wrench I had bought from a guy who had stolen the wrench and done a poor job of changing the numbers. I knew that I was in real trouble at this time. Two months later I was sentenced to 9 months in prison for receiving stolen property. I served 6 months and 10 days of that term. After the arrest in early 1971, too many auto theft investigators in southern California knew my name, and they wanted me out of the business.

In late 1975, I went back home for 3 to 4 months. Early in 1976, an old friend talked me into returning to the auto theft business. The financial temptation still held a powerful sway over me.

In 1976, I moved back to California and started dealing in stolen vehicles again. I also operated a small re-tag business involving six people and directed the illegal activities of three major retaggers in California and Texas and five wrecking yards in Texas, Colorado, New Mexico, and California. I stole cars and pickup trucks for my own business and for sale to others. I supplied parts and documents to other retaggers, helped locate drivers, body men, and rebuilders for my main accomplices, and found buyers for dozens of illegally rebuilt vehicles.

Eventually, this theft ring involved 40 to 50 individuals and was responsible for 1,500 to 2,000 vehicle thefts. By the end of 1976, I was the leading vehicle identification number, or VIN, package dealer in the Southwest. These packages were used to provide a new, clean identity for stolen vehicles. Members of my ring purchased VIN packages and also bought, sold, stole, and retagged vehicles in New Mexico, Colorado, Louisiana, Texas, Arizona, California, Nevada, Oklahoma, Washington, and Mexico. In 1976 and 1977, I personally retagged about 60 pickup trucks, about a third of which were sold in Mexico. By 1977, the whole operation had gotten so big that many of the people working for me did not know each other. However, all of the people knew that I was in charge.

After my ring had been operating for about a year, I was arrested on a search warrant issued by the police. The charges on that warrant were dismissed, but when my belongings were searched at the time of my arrest, over 10 vehicle titles and matching VIN plates were dis-

covered, along with a handful of rosette rivets. The police confiscated the materials and turned the evidence over to the FBI.

As a result of this and other evidence developed by the police against me, the FBI was able to convince an old friend and partner in crime to become a prosecution witness.

I continued with my theft operation until early 1978 when I was arrested for violating the Federal interstate car theft law, or the Dyer Act. The U.S. attorney in Denver successfully prosecuted me on one count of conspiracy to transport in interstate commerce a stolen vehicle. I pleaded guilty to another count of interstate transportation of a stolen vehicle.

Since going to prison, I have been enrolled in a vocational education program and have learned to repair air-conditioning units. I fully intend to slay out of the auto theft business when I am released from prison.

I believe that a number of actions can be taken to reduce the national auto theft problem. I have never encountered an automobile locking system that I could not defeat in a very few minutes. I probably never would have gotten into illegal rebuilding if it hadn't been so easy to change the few vehicle identification numbers now on cars and trucks. If additional VIN's were placed on the vehicles, this would also help to deter the professionals.

Senator PERCY. Thank you very much indeed.

Mr. BEN. Mr. Chairman, at this time, I would request Mr. Smith's arrest and conviction records for vehicle theft and vehicle theft related crimes be inserted in the record as a bulk exhibit. Because these records, which have been properly identified, also reveal Mr. Smith's true identity, I would request that the bulk exhibit be entered into the record as a sealed exhibit.

Senator PERCY. Without objection, it is so ordered.

[The document referred to was marked "Sealed Exhibit No. 9" for reference and is retained in the confidential files of the subcommittee.]

Senator PERCY. I will ask counsel to advise us when our 10-minute period is up as all members of the subcommittee have been provided with some questions. We can go on to any of them that you wish, but I would suggest we just follow the sequence as much as we can, in order to tell as complete a story as possible. We will try to aim, because we have one other witness this morning, to finish our questioning about 12 noon and then go right on to a demonstration at that time.

Mr. Smith, according to your statement this morning, you have stolen more than 700 cars during a 12-year period as an auto thief. You also stated you started out legitimately rebuilding wrecked cars and made a fair living at it. Could you tell the subcommittee why you turned to crime, specifically stealing cars. Did you intend to earn a better living or was it the simplicity of the crime that attracted you?

Mr. SMITH. Well, I was looking it over and it was very easy to steal automobiles. I could see there was big money involved in it and I was right.

Senator PERCY. In 1966, you purchased for the first time, stolen auto parts that were not marked to any traceable factory numbers. Of course, no one could prove the unmarked parts were stolen. If the

police had identified these first stolen parts you purchased, would you have continued in your illegal activities?

Mr. SMITH. No, sir, I wouldn't have taken the risk of being arrested with those numbers on those parts. Even if parts are numbered and you remove the numbers from those parts, you will still be arrested for having vehicle parts with altered serial numbers in your possession.

Senator PERCY. While you were dealing in stolen cars and parts in southern California, about what percentage of salvage yards there dealt in hot or stolen parts?

Mr. SMITH. I would say approximately 50 percent of the yards.

Senator PERCY. What is the basis of your estimate?

Mr. SMITH. I have owned half interest in two yards in southern California in my 12 years of living there. The vehicle dealers I bought parts from were also associated with other dealers. We all knew one another.

Senator PERCY. Two areas seem to lead to encouragement of this fast-growing industry; these are the lack of vehicle identification numbers on hot parts, and the retag operation giving a clean title to a stolen vehicle. We have had a definition of retagged cars. Could you take us step by step through the retag operation?

Mr. SMITH. OK. First you go out and buy a salvaged vehicle or, if you know a wrecker that will just sell you the identity off of the salvaged vehicle, that is really all you need. You really need the frame that has the secret, secondary numbers on it, you need the motor and transmission for cars, the VIN number stamped on them and you need the identification plate, Federal sticker, for some of the cars from 1970, up, the license plates, the registration and the title and to fix the identification plates for the vehicle.

Senator PERCY. How long did that whole operation take you?

Mr. SMITH. If I wanted to do a real sanitary job on it, it will take around 8 hours.

Senator PERCY. How could you be sure no one detected a switch?

Mr. SMITH. If you do a real neat job, even an auto theft specialist cannot detect the job.

Senator PERCY. Could you talk about the rosette rivets which are not supposed to be available to the public? How did you obtain rosette rivets?

Mr. SMITH. I had friends working in General Motors production plants and I could go over and hang around the bars, shoot pool with the guys that worked in there on their lunch break and get to know them and they would bring me those rivets out without any problem.

Senator PERCY. Let's backtrack. What is a rosette rivet?

Mr. SMITH. A rosette rivet is a little rivet that has a head design on it, kind of like a rose or a cauliflower, and it is a special built rivet made out of stainless steel material and the manufacturers that manufacture them will not sell them to the general public. They are only sold to the automobile manufacturers and they use those rivets to attach the public VIN plate to all the American-made automobiles.

Senator PERCY. Could you tell us something about the confidential VIN's, where they are located, and how confidential they actually are? The VIN is the vehicle identification number.

Mr. SMITH. Correct. OK, if you are in the business of rebuilding cars and in the salvage business, those numbers are not very confidential at all. They are stamped usually on the frame rails, on the top of the frame rails, approximately 2 feet apart and some of the cars have them stamped in the cowl which is always in the same place on the cowl for General Motors Firebirds and Camaros and you will find the big Lincolns and T-Birds have a confidential number stamped under the dashpad on them.

Senator PERCY. What other things would you do to insure that you would not get caught?

Mr. SMITH. The automobile manufacturers scatter broadcast sheet numbers all through the vehicle. These are sheets of paper about the size of this right here and they have all the description of the accessories, color interior, and all, everything that is going into that vehicle, type engine, transmission. Up in the top corner they will have the vehicle identification number typed in there and they hide them in the seats, throw them under the carpet, put them on top of the gas tanks, stuff them down around the front fenders. They are liable to be anywhere on those cars.

You have to go through those cars with a fine tooth comb to be sure that you get all those out. Some cars, people find as high as 20 broadcast sheets; some vehicles I have not found any in.

You have to be real clean, looking for gas receipts and any torn paper that might have a telephone number or address on it and if the police impound that car at a later date, they can check and get back to the people to find out where that came from.

Senator PERCY. Almost any car has certain personal belongings in it, an article of clothing, coat, suitcase, whatever it may be. When those cars contain personal effects, what would you do with them?

Mr. SMITH. I went to the city dump.

Senator PERCY. You would do what?

Mr. SMITH. I would take them all to the city dump. I wouldn't want to have anything around my person.

Senator PERCY. In other words, if you found a \$40 or \$50 sweater, you would just destroy it, get rid of it?

Mr. SMITH. Get rid of it.

Senator PERCY. In other words, the profit margin on which you were operating was so great that these belongings which might be valuable to the individual whose car was stolen, were simply discarded. Otherwise the car might be identified as stolen if these items could be identified. Is that correct?

Mr. SMITH. That is correct. It would be stupid to take a chance of having a \$40 sweater get you busted with a \$4,000 profit, you know. It just doesn't make sense.

Senator PERCY. Did you ever slip up in the process of sanitizing a car?

Mr. SMITH. Yes; I did. I slipped up one time in 1968. A 1965 Corvette that I had, I went through it with a fine tooth comb, everything was perfect. I made one mistake, though. General Motors didn't stamp the VIN number on the automatic transmissions in the Corvettes in that year, but they did stamp the serial number on the four-speeds because a lot of four-speeds were getting stolen, so they were trying to,

police were trying to trace them down that way. But they wouldn't stamp the serial number on the automatics but all Corvettes have serial numbers stamped on the engines.

I used that engine block in the salvage frame and along with the stolen body and I am a little bit familiar with cast iron metal. When numbers are stamped in cast iron, it drives the molecules, it compacts the molecules in the metal and it will drive those numbers down in that metal a quarter of an inch deep. There is a process of heat treatment with a torch, you can grind the top of the ledge of those numbers off where it is real smooth, heat it up with a torch, squirt oil on it and those numbers will raise back up and you can take sandpaper and sand across the top and those numbers are so legible you can feel them with your fingers.

Well, I took this engine, took a 1/4-inch drill and drilled a half inch deep in that ledge on the block to get all of the metal out from underneath where the numbers are stamped, took a cast iron chrome welding rod, made about four passes and built that trench all back up, grinded it down smooth on the top and restamped the salvage VIN on it.

The auto theft unit came out and checked the car, took paint remover and removed the paint from the engine block and they noticed the discoloration of the metal. The metal that I used in the welding rod was kind of light, chrome color and the cast iron was a gray. They impounded the vehicle on those grounds so that I had drilled that number out and had restamped it. I found out later when I went to court that they had also been using a camera that takes an infrared picture of that engine block and it showed every ripple of every pass on that welding rod that I had done on that car.

Senator PERCY. You learned later that this camera had been developed by the National Automobile Theft Bureau. Is that correct?

Mr. SMITH. Correct.

Senator PERCY. You were not aware of it at the time?

Mr. SMITH. No, sir.

Senator PERCY. So this was a new technique that caused your arrest. Otherwise you probably never would have been caught.

Mr. SMITH. That is correct.

Senator PERCY. Thank you very much, Senator Nunn.

Senator NUNN. Were you successfully prosecuted at that time?

Mr. SMITH. No, sir. Well, I guess I wouldn't call it successfully prosecuted. I was fined \$100 for having a vehicle with an altered serial number in my possession.

Senator NUNN. Was that a criminal offense?

Mr. SMITH. It was a misdemeanor.

Senator NUNN. Misdemeanor?

Mr. SMITH. Yes, sir. The police did confiscate the engine.

Senator NUNN. At that time you already had a previous record? Is that right?

Mr. SMITH. No, sir. I had a fairly clean record at that time.

Senator NUNN. You had not served any time at that period?

Mr. SMITH. I had done 2 weeks in the county jail over theft of a torch, was all the time I had done at that period.

Senator NUNN. At that time had you served your 1 year on weekends?

Mr. SMITH. No, sir. That was later, down the road. That was in 1971, I believe.

Senator NUNN. Did dents or other identifying marks on stolen cars create any problems in retagging a vehicle?

Mr. SMITH. Yes. I can tell you about this.

Senator NUNN. Give us an example.

Mr. SMITH. In 1970 I bought an almost new Buick Riviera. In the accident it was hit in the front end, the engine had pushed the cowl back and had distorted the cowl. When you get a car damaged like that, it is awful hard—a cowl is the—I will explain what the cowl is. The cowl is the part that the dashboard consists of, the speedometer, radio and everything, and that is the main structure of the body. The engine was driven into the cowl and it pushed it back and it distorted the lines around where the doors open. So I got rid of that body and put another body on the car, and the salvage vehicle also in the accident had a real odd crease on the right quarter panel, and the insurance companies take pictures of these cars when they pay a claim off on them so they can check them out at a later date.

They will give these photographs to the auto theft unit when they come to check these cars out.

So I took the stolen body, put a crease in the right quarter, covered it with Bondo and repainted it. I took a hammer and beat the cowl in and then straightened it back out and undercoated it, repainted it. I used the original salvage engine and transmission over in the car and all the stolen front end and the body and the interior and doors and everything on it.

Several months later the auto theft unit, National Auto Theft, and local police came and checked that car out. They went directly to that right quarter, where that crease was, took a knife and dug into the body putty that I had put in there. They checked it over for the secret numbers, the motor, transmission number, the public VIN plate, checked under the hood, seen the damage on the cowl, walked away and left that car clean, give it a clean bill of health.

Senator NUNN. So you had done almost a perfect job on that one.

Mr. SMITH. That one I had done a good job on.

Senator NUNN. They checked it in every way that they could?

Mr. SMITH. Yes, sir.

Senator NUNN. You have stated that you operated a nine-State vehicle theft ring. Where were your operations? What States were covered?

Mr. SMITH. OK. Texas, Louisiana, Oklahoma, Colorado, Arizona, California, Nevada, and Mexico.

Senator NUNN. Did your operation deal with salvage yards and body shops in each State where you operated?

Mr. SMITH. Yes, sir.

Senator NUNN. Could you estimate how many yards and shops you dealt with?

Mr. SMITH. I would say approximately from 50 to 100 for the yard that I ran. I dealt with at least 100 people.

Chairman NUNN. Did you transport stolen cars and parts from State to State?

Mr. SMITH. No. I have used common carriers, like freight companies, to ship commercial carriers; you know, to ship the parts around, and I would hire drivers to drive the cars to different States.

Chairman NUNN. Would they know that they were dealing with stolen automobiles?

Mr. SMITH. They never asked any questions.

Chairman NUNN. What kind of vehicles did you steal and retag most often?

Mr. SMITH. Most often I would say Ford pickup trucks.

Chairman NUNN. Why?

Mr. SMITH. They are the prime target for retaggers and auto thieves both. They have a very high retail and wholesale value. They have no motor and transmission numbers on the vehicles. The ID tag is held on the Ford truck with a little push-on aluminum rivet. It is very easy to change, and they have two secret or confidential numbers that are stamped on the right frame rail that is very easy just to change that rail in a truck. If you change the rail, you change the main portion of the identification on that vehicle. They are very easy to steal. The ignition pulls out of them very easy.

Chairman NUNN. Did you use these vehicles for chop shop operations? Did you chop them up and sell the parts or did you sell them as a whole?

Mr. SMITH. I sold mine, the biggest part of mine, as a whole.

Chairman NUNN. If they had had vehicle identification numbers on the motor and transmission, would that have made any difference in your operation?

Mr. SMITH. Yes, it would. With identification numbers stamped on those engines, Chevrolet trucks, I would deal with Chevrolet trucks, but I had to either buy the salvaged motor and transmission to go with those trucks or either buy new short blocks and transmission cases to put in all the guts of the stolen motors. So I would be sure that I wouldn't be having an engine number and a transmission number that had even been altered. At the least I wouldn't mess with any of those engines that had been altered after getting burned in 1967 with that Corvette.

Chairman NUNN. Was your operation as profitable on Chevrolets when you had to go to that kind of trouble as it was with the Ford pickups?

Mr. SMITH. No, sir, it wasn't.

Chairman NUNN. At that time what kind of VIN marking did Ford provide for its pickups?

Mr. SMITH. They had a frame rail, they had the confidential numbers stamped on the frame rail, which is on the right side. It is stamped in two places, one place is up underneath the hood, real near the radiator on the front, and the other one is right underneath the passenger seat.

They have the public VIN number, which is on the floor, it is held on with real lightweight aluminum rivets and they have a Federal sticker on the cap. That is all the ID on a Ford truck.

Chairman NUNN. What was the scope of your operation at its peak in terms of money involved? How much money was involved in your overall operation?

Mr. SMITH. Hundreds of thousands of dollars.

Chairman NUNN. What would you guess in a year? Did you keep good books, did you know what you were doing in terms of money, or would you just be estimating?

Mr. SMITH. No. We never kept any records.

Chairman NUNN. What would be your best estimate of the most money you made in a year? Let's divide it into two questions. Let's talk about the whole ring, and then you personally. How much would your ring profit in a year? And then how much would you personally profit in a year according to your best estimate?

Mr. SMITH. It is really hard for me to separate that. Excuse me, I lived a very high life style and I never kept records of money. It would be hard to say how much I really made.

Chairman NUNN. Would it be in the hundreds of thousands of dollars in a year or would that be too high?

Mr. SMITH. That probably wouldn't be too high, no, sir.

Chairman NUNN. It would not?

Mr. SMITH. No, sir.

Senator PERCY. Is that tax free?

Mr. SMITH. Yes, sir.

Senator PERCY. Senator Cohen, before the demonstrations, would you like to ask some questions, please?

Senator COHEN. Mr. Smith, Senator Percy asked you whether you would have gotten into your most recent line of work had crime not been so easy. You were doing pretty well as a legitimate operator, were you not?

Mr. SMITH. Yes.

Senator COHEN. Working 20 hours a week in your spare time, plus, I assume, you had another job?

Mr. SMITH. Yes, sir. I had a legitimate job working as a line mechanic at a dealership.

Senator COHEN. Really, the point is, since you were doing all right, it was just you could do better by operating illegally?

Mr. SMITH. Yes. It was so easy.

Senator COHEN. Not only so easy, but also the price was right, there was also very little risk in getting caught and, if you did get caught, very little risk of a severe penalty. Is that not correct?

Mr. SMITH. Yes, sir, more or less.

Senator COHEN. I think, as the Members of the Senate have discovered, that there may be some leniency in southern California justice, we have a book that is out in circulation now called the Falcon and the Snowman which reveals rather disturbing lack of judicial penalties being imposed upon people who commit serious crimes. But that is another matter. It seems that you got on the first offense, a weekend sentence for a year. In other words, you would incarcerate yourself, over the weekend, for a year?

Mr. SMITH. Yes.

Senator COHEN. Not much of a penalty.

Mr. SMITH. Not really.

Senator COHEN. So it is not simply a question of it being easy to remove the tags, or to steal a car, but in fact there was little likelihood that you would receive a severe penalty for getting caught, in the first instance, and, if you were, in the second case, it was only 6 months of weekends in jail.

Mr. SMITH. That is right.

Senator COHEN. I think you indicated on page 5 of your statement, "I probably never would have gotten into illegal rebuilding if it were not so easy to change the vehicle identification numbers, if additional VIN's were placed on vehicles, this would also help to deter the professionals." I noticed you indicated that things were getting pretty hot for you in southern California, so you left and went back home and then, when you decided to go back to the State of California, I assume northern or central California, you set up a new operation. Is that not correct?

Mr. SMITH. I went back out and set up the operation in the same area.

Senator COHEN. Again, the risk was not so great that the price didn't deter you?

Mr. SMITH. That is correct.

Senator COHEN. You indicated that there wasn't a car made that you couldn't break into; is that correct?

Mr. SMITH. Yes, sir.

Senator COHEN. That, is true today, also, is it not?

Mr. SMITH. Of 1978's, I know it was true. I have worked on some 1979's and didn't have any problems with them.

Senator COHEN. Are there any VIN tags that cannot be removed in your experience?

Mr. SMITH. Any VIN tags that cannot be removed? No, sir.

Senator COHEN. So, if we add more VIN tags to each manufactured automobile, that might deter you, but not all that much, if the price is still right.

Mr. SMITH. If you have some hardheaded people, they are going to still change them.

Senator COHEN. Perhaps you could relate your experience about the process you used in going about stealing a car. I know you are going to give a demonstration a little bit later. But in your experience, has there been a serious evolution in security systems that have been devised since you first started? Perhaps you could describe how easy it was to break into and steal a car in 1966 when you first started and perhaps describe what have been the qualitative change from 1966 to, say, 1976 or 1978 and 1979?

Mr. SMITH. On General Motors, from—that is what I mostly specialized in, is General Motors cars.

Senator COHEN. I noticed there was some apprehension that you had some specialty with Porsches and Volkswagens models which I happen to own, and some Mercedes, which I think some other members of the subcommittee have.

[Laughter.]

Chairman NUNN. I have got a Ford pickup.

[Laughter.]

Senator COHEN. That is the easiest of all.

[Laughter.]

Mr. SMITH. OK.

In General Motors, from 1938 to 1966, they used the same key cuts, which had four depths and one of them was no cut. So, really, they had three depths on those cuts and I had ordered a set of keys in Chicago back in those days that I could get for a General Motors car, 1964, 1965, 1966 Chevilles or General Motors of any kind, Cadillac,

what have you, and those keys would work on 9 out of 10 of those cars and turn the ignition on.

Senator COHEN. Those cars usually had the same key open the door and also fit the ignition?

Mr. SMITH. Correct. The door key would be harder to hit with those master keys than the ignition would be, but some of the keys would work so good, they worked even to unlock the doors. But you didn't have any problem with the doors in those days anyhow, with the two-door hardtops, you just stick a wire in there, flip the plastic button up and get in faster than really you could use the key.

So, also General Motors had a real weak switch in those '65 cars. You could take a screwdriver and get around, right around the chrome ring, and push the screwdriver down and it flipped the switch right straight out, then you stick the screwdriver in the switch in the back of it, turn it on, it would activate the car just like the cylinder would with the key in it.

In 1966 General Motors put a little tougher system down inside the switch that held that cylinder in. They put two prongs on it. You couldn't hardly take a screwdriver and dig that out, but you could take a slide or body hammer, which is a tool that a body man uses to screw into a dent and jerk a dent out.

Senator COHEN. Did you use that method yourself?

Mr. SMITH. I used it a couple of times and it was so loud it sounded like you were slamming the hood on a car six blocks away, so I got away from that method.

Senator COHEN. What did you use?

Mr. SMITH. Myself, I had a key cutter. I would take the door lock out of the passenger side of the car and put another dummy lock in it.

Senator COHEN. Explain that. How do you take a door lock out?

Mr. SMITH. I would take a little hand drill with an eighth's inch bit on it, drill right to the right side of the lock, about an eighth of an inch away, right across the center, and I have an ice pick or punch-awl and stick in that hole, flip that spring clip off of the lock and pull the lock out, put another dummy lock in the door, so no one could tell the hole was left in the door there you know.

I would walk off to my car, sit down and tear the lock apart and read the tumblers in it and cut a key for it.

Senator COHEN. How long would that take?

Mr. SMITH. It would take about 30 seconds to flip that keeper off. I would be around, I would be outside the car less than half a minute and I would walk away, just leave it sitting and in the Chevrolets, they had the key code stamped right on the door lock, from, well the 1965, 1964, and up until 1969. I could just read the code off of it and I had a code book.

Senator COHEN. Where did you get the code book?

Mr. SMITH. I bought the key cutter, Curtis-Mathis Key Machine, and the code book and everything came with it. I bought it through a salvage yard.

Senator COHEN. Pardon?

Mr. SMITH. A salvage yard.

Senator COHEN. Go ahead.

Mr. SMITH. OK. So General Motors then, in 1970, quit putting key codes on their door locks, but I was familiar. I could read the key tumblers anyhow, the key codes, so that really didn't bother me

any. So in 1969, I guess they probably slowed a lot of amateurs down, they put that locking system on the steering column and the transmission, in the steering wheel lock and they moved the key ignition cylinder from the dash up to the steering column. But General Motors kept the same door lock and the same ignition cylinder, the one key worked it up until 1973.

Ford still has that as far as I know.

Senator COHEN. What about Ford pick-up trucks?

Mr. SMITH. Cars. Ford cars, Ford pick-up trucks also. So, in 1974 General Motors came down again and they switched to where it took a separate key to unlock the door from the steering column. So when they came out with those two key systems like that, I got busy and invented a puller that was a finger-type puller that flipped the chrome ring off of the ignition cylinder and clamped this puller on it and put a bolt in the back end of it and extracted that lock just like pulling, kind of like pulling a cork out of a wine bottle.

When I would get that whole key cylinder and everything out, I would just drop it down in the steering column and turn the car on and everything would be unlocked just like using your own key.

So, General Motors after they found out that the thieves were stealing those cars like that, in 1977 they quit making that top of that ignition cylinder to where you could get hold of it with that puller. They made it smooth on the top. So I got busy again and invented another tool that was like a hole saw, with a garret plate and I would use a little electric power drill and drill around this little hard button that they put inside of these things. Back up to 1972 I believe General Motors put little hard buttons about the size of a dime down there where your key slot goes, so you can't put a screw in there.

It is so hard, the screw won't screw into that metal. So you have to crack that, break it out, then I would use this screw system which you could use a slide hammer to break the cylinders out in these General Motors in 1977. But it is awful noisy. So I made another tool that I would screw in and I had a bolt on the back side of it, I would run that nut down on the back side and it would pull that cylinder out, extract it the same way as my puller for the '74 to '76's can, only I attached the puller into the switch by screwing the screw down into the switch itself.

Senator COHEN. Have you ever thought of going on to do consulting work with GM when you get out of prison? I say this in some seriousness, if in fact we are talking about imposing more requirements upon General Motors or Ford or any other car manufacturer. Since, if in a matter of minutes someone as ingenious as you can figure out how to break that particular system, what have we finally accomplished?

Mr. SMITH. Really nothing.

Senator COHEN. Is there a system that can be built that you or some of your inspired colleagues couldn't break?

Mr. SMITH. I believe that if they were to build those ignition cylinders out of that hard cased metal to where you couldn't get a screw in it, that would cure them breaking it out. As far as unlocking the system on a car and if they would use some real strong metal to hold those door clips in, instead of those frame clips, that would keep them from pulling those door locks out. But as far as car theft, I

don't know if you will ever stop it completely. Some cars I have known that they usually use wreckers, they just back up to them and haul them off with everything locked up.

Senator COHEN. My time is up, Mr. Chairman.

Senator PERCY. Thank you, Senator Cohen. Before you go into the demonstration, there is one aspect that you haven't touched on yet. Of the 70 cars that you were personally involved in stealing, which would probably come to a retail value in excess of \$5 million, you have mainly talked about techniques that you call blue-collar techniques. Did you ever engage in any other techniques in stealing automobiles?

Mr. SMITH. Yes, sir. I have another technique of getting those General Motors cars. I call this a white-collar technique.

Senator PERCY. It is a white-collar technique?

Mr. SMITH. Yes.

Senator PERCY. How many cars would that have involved?

Mr. SMITH. I used that on about 100 vehicles.

Senator PERCY. About 100 vehicles. Could you describe what a white-collar technique would be?

Mr. SMITH. Yes, sir. You will find very common, that a lot of dealerships like to put their name on the vehicle on a little chrome tag or something. You know, stick them on the deck lid or on the license plate frame brackets. They will always give this to a customer and they will have their name, the company name and address on those brackets.

Senator PERCY. That would be the dealer's name?

Mr. SMITH. Yes, sir, if you had bought a Cadillac say from Supreme Cadillac, they give you a license plate bracket that fits around your license plate on the car. They will have the name of that company on it. So you will know that that car has come from that dealership. You know, that that dealership keeps service records on that automobile. So you see a car you want, you get the license number off of it, write it down, you go to the Department of Motor Vehicles and ask them for a teletype readout on this vehicle and they will give you that teletype readout, and it will give you the name and address of the registered and legal owner on that car.

So I would wait until approximately 4 or 4:30 in the afternoon, after I had the people's address and name—

Senator PERCY. Why would you wait until late in the afternoon?

Mr. SMITH. I would use the excuse to call down to the dealership. I know it's late in the afternoon, everybody's busy and getting ready to go home, wanting to quit work for the day. I would call the dealership and get hold of the service writer and tell him that I am Joe from Joe's locksmith, and I have a customer of his down here at the mall and she has lost her keys while shopping, and would he be kind enough to give me the key codes off of her service record so I don't have to detain her and charge her \$35 to tear the steering column down on her Cadillac. I will charge her a couple of dollars for cutting her a key and send her on the way.

They are more than happy to give you those key codes. He will give me the key codes over the phone and I will go cut a key for the car, then I can steal the car out of the driveway; with the keys to the trunk and the ignition both.

Senator PERCY. Thank you very much. Unless there are further questions, we will go right into the demonstration and do it the easy way. It seems like the white-collar way is a little harder than the blue-collar way. It takes a little longer.

These are engines from General Motors and Ford products, 1978 and 1979. Suppose we take this model and bring it around in front. I would suggest that Members of the Senate and the staff move over on that side so we can see the exhibit ourselves.

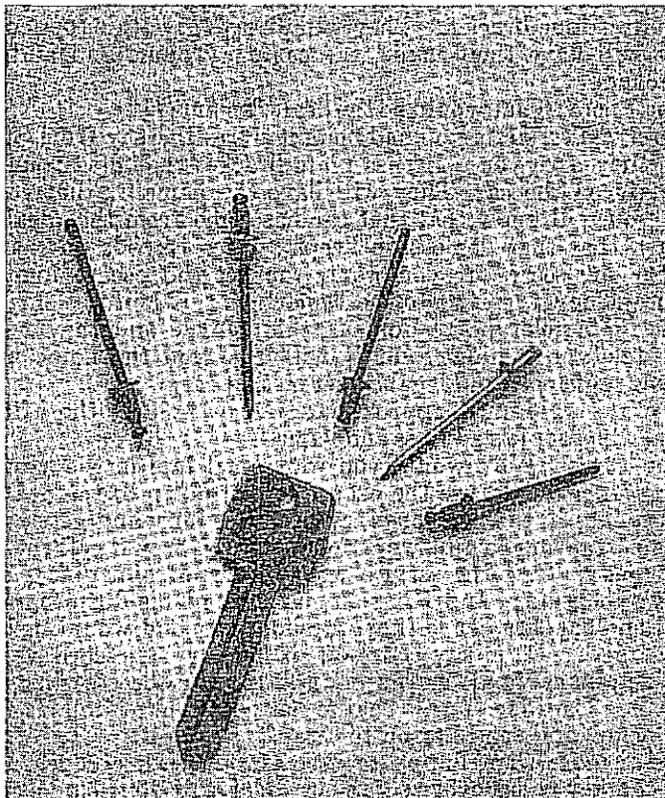
Mr. BERK. Mr. Chairman, while the demonstration is being set up, there are two exhibits I would like to have inserted in the record. The first is a representative sampling of the rosette rivets, which Mr. Smith described earlier today, and I would ask that that be inserted in the record.

Senator PERCY. Without objection, so ordered.

Mr. BERK. The next exhibit is a photograph of tools that are commonly used by professional motor vehicle thieves to commit their crimes. We also have a copy of this photograph available for the Senators to review.

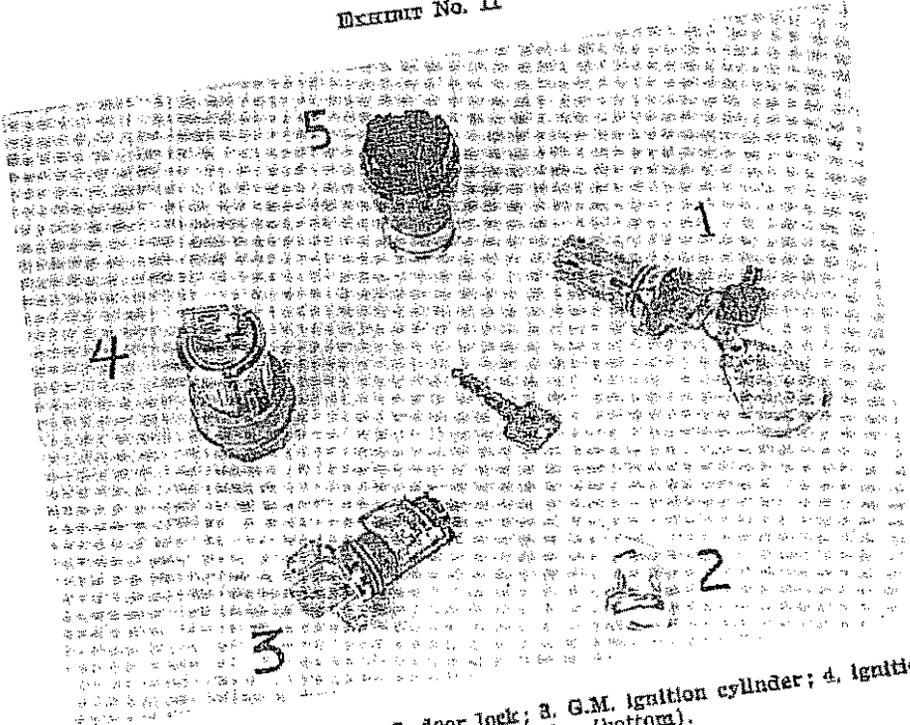
[The photographs were marked "Exhibit Nos. 10 and 11 for reference and follow:]

EXHIBIT No. 10

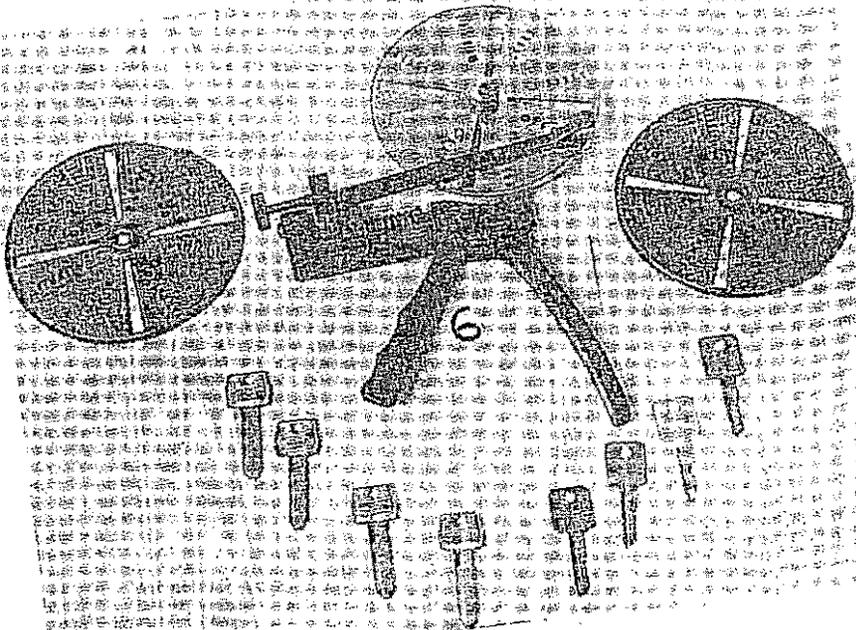


Rosette rivets used by automobile manufacturers to attach identification numbers (VIN's).

EXHIBIT No. 11

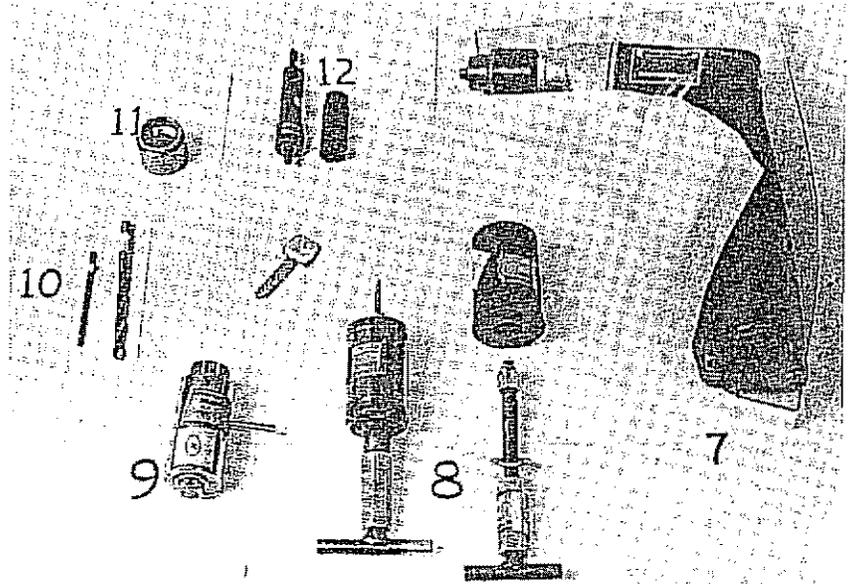


1. G.M. ignition cylinder; 2. door lock; 3. G.M. ignition cylinder; 4. ignition cylinder (top view); 5. Ford ignition cylinder (bottom).

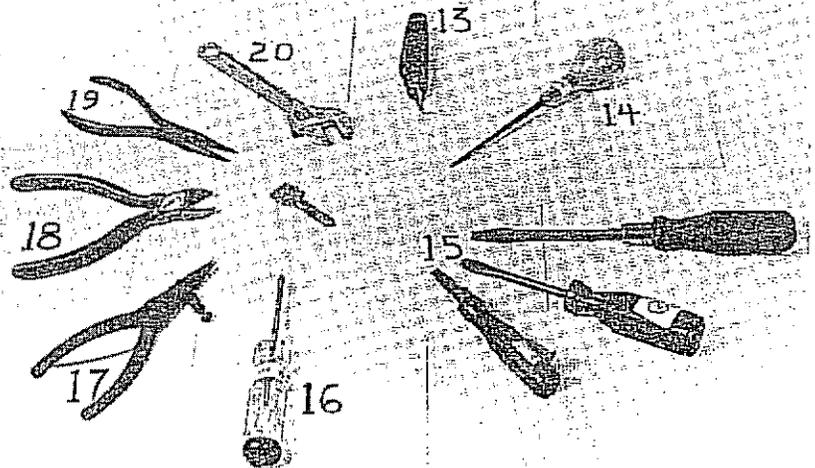


6. Key-cutter

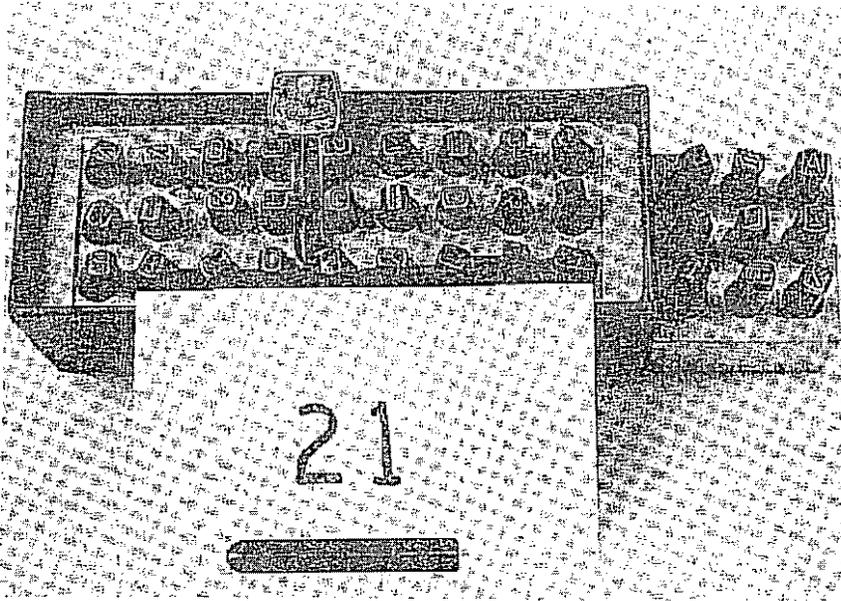
## Exhibit No. 11—Continued



7. Electric drill (battery-operated) and sound insulation; 8. Giebe tools—lock extractors (assembled and disassembled); 9. lock extractor; 10. drill bits— $\frac{1}{4}$ " and  $\frac{1}{8}$ "; 11. key hole saw guide; 12. key hole saws— $\frac{5}{8}$ " and  $\frac{3}{4}$ ".



13. Pocket knife; 14. punch awl; 15. screw drivers—standard blade; 16. screw driver—Phillips; 17. snap-ring pliers; 18. side-cutting pliers; 19. needle-nose pliers; 20. open-end wrench—adjustable.



21. Vehicle identification number stamps

Senator COHEN. Mr. Chairman, could I ask one other question? I believe the witness talked about the VINs, and that there were at least two confidential VINs, is that correct, on most automobiles?

Before you answer, the reason I would like to inquire, is how did you discover the confidential source of information? How long would it take, assuming we impose more requirements, more VINs, how long do you think it would take for organized crime to detect that code?

Mr. SMITH. OK. Myself, when a new year model would come out, if I am specializing, retagging certain cars, Corvettes, Rivieras, or trucks, as soon as I seen a current year model wrecked at a salvage pool, I would put a high bid on it, buy that car and take it to my shop and tear it apart with the help from some of my employees, and personally I would inspect every piece on that car and I would find out where they put those secondary numbers on it. I have found out that—well, during my operation, General Motors, it is common for them to put two secondary numbers on those vehicles and when I found them, I felt comfortable that I had found the only ones that were on that car.

Senator COHEN. Was there ever an establishment of a ring inside the automobile manufacturers that would disclose this code to organized car thieves.

Mr. SMITH. Not the people that I dealt with. Like I say, we would tear those cars down and find out where they were for our own benefit. A lot of people you can't trust what they tell you anyhow.

Chairman NUNN. One other question. If you were in charge of devising ways from a legal point of view to curb—I don't mean to cease, but at least to curb the auto theft rate in this country, can you think of any suggestions that would really help in that regard?

If you just listed them, what would you do at the Federal level and/or the State level, legally, to try to curb the growing auto theft problem?

Mr. SMITH. Myself, if I was going to stop, like those chop shop operations, the biggest, highest portion for a vehicle is the front end. That is one place I would start. I would start serial numbering the core support and the main body parts to that front end. I know it sounds stupid to put a serial number on a fender or hood, but that is the only way I would know that would stop a salvage dealer from buying a stolen front end. If they found out there was numbers on that front end, they wouldn't touch them with a 10-foot pole.

They couldn't afford to have them sitting around the wrecker yard, because it would be a natural bust for them.

Senator PERCY. What changes would be required, in your judgment, in the ignition cylinders to make them more theftproof?

Mr. SMITH. I would build that whole cylinder, ignition cylinder, out of case-hardened steel where the screws can be screwed into it. And in that way, by making the top of them completely smooth, you couldn't get any tool on them to break them loose or to attach to them to pull them out. You have to affix to those ignition cylinders some way. If you would study them, before you can get them out, and if you make the things completely slick on the top and to where you can't screw a screw into them, there is no way to get them out unless you take the steering wheel off. There would be no fast way to get them out.

Chairman NUNN. What else would you do?

Mr. SMITH. On the door locks, I would move the knobs to where they couldn't be gotten hold of with a wire any way, shape, or fashion and where the door locks are held into those doors, I would attach a real strong metal plate to hold those things in so that you can't pull the door lock through the plate and you can't dig that plate off of it to get the door lock out.

Chairman NUNN. Anything else?

Senator PERCY. How about identifying numbers, for instance? If they had adequate identifying numbers and if there is a severe enough penalty for removing those numbers, would that really have deterred you from getting into this business?

Mr. SMITH. Well, I don't know. Really, it really sounds stupid, but the crimes I get into, I never look to see what the penalty is before I do it. I get involved in it and then I get to looking around to find out what kind of time they can give me.

Some people, though, I would imagine, if you put a stiffer penalty on these things, I would imagine it would make them stop and think.

Chairman NUNN. You didn't think you were going to get caught, did you?

Mr. SMITH. No, sir.

Chairman NUNN. Any other suggestions that you can think of that would make it more difficult to steal automobiles?

Senator COHEN. Mr. Chairman, one thing I was going to inquire about is that kind of a system that many of the more expensive models now have. If you try to take the car, you immediately set off an alarm system. I was wondering, notwithstanding the cost factor involved, whether that would be a deterrent.

Mr. SMITH. I can explain some of that to you. On the Corvettes, they have an alarm system on them and you can tell, you can walk up to the Corvette and where you put the key slot in the burglar alarm, it will be over on the left-hand side or in some models, right in the back, and if the key slot where you put the key in is sideways, the alarm will be off. If it is straight up and down, the alarm will be on. A car manufacturer that has a manufacturer's alarm system on it like that, I would go and disarm the horn. On the left rear side of the Vettes, in 1975 down and 1976 and 1976 down models, you could reach your arm up underneath the back end and pull all the wires off of that horn and I would go ahead and pull the door lock on it, get in the car anyhow. Because I knew the horn wouldn't blow if the alarm was on. But the 1977 Vets, they have hid—I didn't do enough research on this one. A guy wanted a Corvette, and I thought I could slip, have this tool that pulls the switches out of these doors and it will also pull the burglar alarm out of those Vettes, right straight through that clip.

I pulled the alarm through the clip and they have got the wires that are not insulated on the back of that switch, and when I was pulling the switch out through the fender, it touched the metal frame bracket on that thing and set the alarm off. So I left that car. But they have the horn hid down around—I believe it is hidden behind the radiator somewhere that you can't get to that horn to disarm the wires off of it with your hand.

Senator COHEN. Is that an effective system in your judgment?

Mr. SMITH. It is a pretty effective system.

Senator PERCY. Are you available for employment by any one of the automobile manufacturers or the automobile manufacturers association, maybe? I think they all could use your services.

Mr. SMITH. I would consider going to work for them. I am definitely out of auto theft right now.

[Laughter.]

Senator PERCY. As we go into the demonstration, I would like to announce that Bill Mayer—and, before him, Bruce Anderson, and Gretchen Gerwe—worked with the Automotive Dismantlers and Recyclers of America (ADRA) in preparing this demonstration.

ADRA supplied the parts and mounted them for us. I thank them. We owe them a debt of gratitude for making this demonstration possible. If there are no further questions, we will go right into the demonstration which will be followed by one additional witness.

[Discussion off the record.]

[NOTE.—Mr. Smith demonstrates how to defeat the ignition and steering column lock of a 1978 General Motors Chevrolet Malibu. For purposes of demonstration, a 1978 steering column has been mounted on a stand. Mr. Smith uses a screwdriver to pry off the chrome key-guide which covers the ignition cylinder. Then, using a cork-screw-like device which extracts the ignition cylinder (see exhibit number 11, item number 8), Mr. Smith replaces it with an ignition cylinder for which he has the key (see exhibit number 11, item numbers 1 and 3). With the replacement ignition cylinder in place, Mr. Smith merely turns the key to "start," releasing the steering-column lock.]

Mr. BARR. Mr. Smith, can you explain step by step as you are going through this demonstration exactly what you are trying to do?

Mr. SMITH. This is the steering column right here—steering column, 1978 General Motors, Malibu is available. It is the same as the General Motors pickup, the same type of locking system in all the General Motors cars.

Senator PERCY. Do you have a portable mike for him?

Mr. SMITH. First thing you do when you get in the car is take a screwdriver. See this is cracked up through here, and cracked up through here. I fractured that so hard, when it breaks it usually fractures three or four places. The next thing I have to do is get a piece of this out. I don't need to get the whole thing out. As long as you get half of it out, there it is. That sucker was a rough one. OK, you can see what that does. This is all plastic they put in this thing, that is the reason we were having the problem. I ripped that whole plastic out instead of breaking this end off.

If this column is made out of pot metal, it will break this off in about two turns of this, it will go crack, come out real fast and easy.

Mr. BERK. Mr. Smith, could you tell the Senators and the audience how long it has been since you have stolen a car and how long it took you when you were in the business to steal this type of vehicle?

Mr. SMITH. It's been about 19 months since I have been around.

Senator PERCY. You've been out of practice?

Mr. SMITH. Correct; I've been out of practice. So I have another substitute switching key in my pocket and that turns it on.

Mr. BERK. How much time did it take you on the average to steal that type of vehicle?

Mr. SMITH. Approximately 3 minutes on one of these 1977 type vehicles. That gets that one. Now—

Senator PERCY. You have the ignition with you?

Mr. SMITH. I have it, right.

Senator PERCY. As soon as you take that out then you can slip this into any ignition?

Mr. SMITH. Correct, any General Motors. I will have another key, a substitute, in my pocket like this.

Chairman NUNN. Wouldn't you say this differs from the normal?

Mr. SMITH. You see that housing right here, that thing is made out of plastic. General Motors has made that housing there out of plastic, I guess, to save a little cost in manufacturing. But you can see how this thing pulled.

Chairman NUNN. To keep it from breaking off as easy?

Mr. SMITH. Yes; just pull the whole thing out. Like a plow, this is what holds that cylinder in, it's a spring-loaded foot right here. When you put this thing in, drop it in the cylinder, that little foot right there goes down and jumps down into a notch down in the bottom of this column. This thing was made out of pot metal. It will break this off through here, and comes out real easy.

You noticed I was having a lot of problems getting it out.

Senator PERCY. You still did pretty well.

Mr. SMITH. That's a little change on the different models. You need to stay out and be active in this business to keep up with them. They will constantly change on you.

Here is another, a Dodge. I have never taken very many Dodges, but they are easy to steal. We will go through this here. I never had any use for a Chrysler product, really. This is a 1978 Volare.

[NOTE.—Mr. Smith demonstrates how to defeat the ignition and steering column lock of a 1978 Chrysler Corporation Volare. For purposes of demonstration, a 1978 Volare steering column has been mounted on a stand. Mr. Smith uses a screwdriver to pry off the chrome keyguide which covers the ignition cylinder. Then, using a motor vehicle body repair tool known as a "slam hammer," Mr. Smith extracts the ignition cylinder. This exposes the "male" component of the starting mechanism from which the ignition cylinder has been uncoupled. Mr. Smith grasps this protruding metal "ear" with needle-nose pliers and twists it clockwise to the "start" position, releasing the steering column lock.]

Mr. BARR. Mr. Smith, could you tell the audience and the Senators once again what kind of a tool you are going to use on this vehicle and does that differ in any way from the normal method you used when you were operating?

Mr. SMITH. I'm going to use a slam hammer on this Chrysler product. A lot of thieves on the street use the slam method. I could have used that type method on this switch here after I got the button out of the center; I could have screwed this slam hammer in there.

Mr. BARR. Does the slam hammer have a legitimate use?

Mr. SMITH. Yes; body men use it to take dents out of auto bodies. If you have a dent, auto body, it can be pulled out like this, you punch a hole in the center of it, screw this in and bring that down. That is the same thing this will do if you use these down there. The force of this coming out breaks that lock and brings it out. It takes about two or three licks on a General Motors to pull that out.

I never liked to use this thing myself because it is very noisy. You pop that off and get it out of your way. See, these little brass pins pulling up here, you have three different locations now that you can screw this into. You can—in where the key goes in. You can drill into those holes. We will try one of these holes and see how we come out. You can see it does make a little noise.

Mr. BARR. Mr. Smith, why did you not prefer to use this method for your own operation?

Mr. SMITH. It's too noisy. Some vehicles that I picked up have had to be driven 100 miles or so. I want as much of a chance as I can get on a headstart. We will go in here, and turn this thing on now. All you got to do is—that unlocks your column.

Myself, if I was going to get this car, I would rig me up a puller that had a cannister on it like this, and I would get a larger size pipe that would fit right over this indentation right here, and I would screw into that thing and pull it out just like I did the others, and you don't have all that noise. And I would also have with me another switch that I could drop in its place with a key and a ring on it. In California, I have been driving stolen cars on the road, highway patrol will pull up beside you and see if there is a key cylinder in the automobile. They'll check you out.

Chairman NUNN. Did you carry firearms when you were stealing cars?

Mr. SMITH. No, sir. I never had any need for guns, the use of one. You guys can see how the Chrysler system works. You see, that indentation right there, there's an arm with a tick that sticks out on it. When your key unlocks this thing, it rolls that around and unlocks your steering column and turns everything on.

Mr. BANK. Mr. Smith, I know some of the people in the audience are having a difficult time hearing your narration, so please try and speak up so everybody can hear what you are saying.

Senator PERCY. Mr. Smith, maybe you can tell us what you are going to demonstrate here.

[NOTE.—Mr. Smith demonstrates vehicle theft techniques with a 1979 Ford Zephyr. A cut-away of the driver's side of the passenger compartment, including door, cowl and steering column, has been mounted on a platform constructed for the demonstration. Mr. Smith uses a thin, notched metal strip known as a "slim jim" to unlock the door and gain entry to the vehicle. Once inside the vehicle, he uses a greased rubber key to turn the ignition lock to "start," releasing the steering column lock. An alternative to this method is pointed out by Mr. Smith: removal and disassembly of the passenger door lock yields information enabling a thief to cut a key to fit both the door lock and the ignition lock of Ford Motor Co. automobiles. Mr. Smith demonstrates a key-cutting device similar to the one which he has used for this purpose. (See exhibit No. 11, item No. 6.)]

Mr. SMITH. This is a 1979 Ford Zephyr. I am going to demonstrate to you how you use this tool here, that is called a slim jim. You slide it down in here to unlock the vehicle. I will show you how to use this lock pick to turn the ignition on and after I show you that, I'll also show you how to take the door lock out of these Fords, which has the same door-lock key that fits the ignition. I will show you how to cut a key for it, how I use the key to get into this car with it.

Senator COHEN. Before you go any further, would the placement of this handle way down, hidden away from the coat hanger, prevent you from doing that?

Mr. SMITH. No, sir. See, what I got down here is the arm that works the back of this switch right here. It's real simple to do, do you want to try it? Just take that rod and slide it down in there, kind of push it to the side a little bit. See this mark on it right here, pull it back up. Just a minute, you see this mark, this scratch, keep it right in the center of this door handle and get it level with this chrome right in here. There you go. Pretty simple?

That is with the original key for that car. This is a lock pick, this is what they call—this is what they call a rubber key. It's got a rubber in it right in here. We slide this in the car and that turns it on.

Mr. MAYER. Can you tell us if this key can be used on other Ford products, or is it particular to this one here?

Mr. SMITH. I would say this key right here would work on, I would say 70, maybe 80 percent, maybe even more of the Ford products, this thing right here will get it.

See this little gadget here, if you have any problem getting it to turn on, work this thing up and down and what it does is forces this rubber down into the tumblers, lines them up. Keep pressure to the right.

Chairman NUNN. Most professional automobile thieves have this type—

Mr. SMITH. Not that I know of, I don't think so.

Senator PERCY. You don't have a patent on that?

Mr. SMITH. No. I will take this door lock—

Chairman NUNN. Can that usually be prevented by the manufacturer?

Mr. SMITH. Like General Motors, they put an extra key—it makes it real hard to hit with a lock pick. Ford has only got four or five depth cuts—

Chairman NUNN. You couldn't do this on a GM car.

Mr. SMITH. It would be a lot harder. Let me show you guys one more thing. Could somebody give me a pair of pliers? Bill, they are laying right there.

Senator COHEN. Did one of those automatic alarm systems prevent you from doing that?

Mr. SMITH. If the alarm was on the car, I wouldn't want to get into it, because it would set the alarm off. After I get in this car—see, Ford doesn't even have a protector over this clip that holds this door lock in. If my key pick wouldn't work, I would take and ease this slip out of this thing, take this door out, see. That way you wouldn't disturb or scratch the door. That puller we used on that 1978 Chevrolet, I will screw in here and screw that nut down, it will pull that lock straight through this clip.

I will never have to open the car door to turn the interior light on. Also, when I get this door locked up, see this rod right there, I would push this rod, push that rod down as I unlock the door. This is what you got on awhile ago, you pushed this lever right here.

Chairman NUNN. When you took that out, you would use it to make a key?

Mr. SMITH. Yes; I would take this off.

Chairman NUNN. They have the same key that fits this as the ignition.

Mr. SMITH. Right, the same key that fits your door lock fits the ignition. See, Chevrolet changed this in 1974.

Chairman NUNN. So, having two different keys, different from the door and ignition helps prevent theft?

Mr. SMITH. It does.

Chairman NUNN. It makes it a little more difficult?

Mr. SMITH. Yes. After I take this door lock out, I take it to my car. I sit down, tear this lock apart, take the tumbler out of it and cut a key with this cutter, come over here, and make it work. If you all want to come over here, we will sit and do this. This is just a general locksmith operation.

Senator PERCY. The committee will stand in recess for 5 or 10 minutes until the vote is over. Then we will be back and finish up with our witness.

Mr. Smith, we thank you very much.

[Brief recess.]

Senator PERCY. Do you want to go right ahead, Mr. Smith?

[NOTE.—Mr. Smith demonstrates vehicle theft techniques with a 1979 Ford pickup truck. A cutaway of the driver's side of the pas-

senger compartment, including door, cowl, and steering column, has been mounted on a platform constructed for the demonstration. Mr. Smith uses two wire hooks to unlock the "swing wing" window and gain entry to the vehicle. Once inside, he uses a corkscrew like device (see exhibit No. 1, item No. 8) to extract the ignition cylinder, inserting in its place another ignition cylinder which he carries with him, together with its key (see exhibit No. 1, items No. 4 and 5). With the replacement ignition cylinder in place, Mr. Smith merely turns the key to the "start" position, releasing the steering column lock.]

Mr. SMITH. This is a 1979 Ford pickup truck. This is my specialty in my business. I go up to these vehicles, slide a lock in here, a wire in here, push this button in. You have to push that button in to get it to release because it keeps this lock—I flip that up like that, open the swing wing, I will roll the window down. On these Ford trucks and Chevrolet pickups, a lot of them have burglar alarms that activate when you open the door.

I will first come up to them and rock them like this to see if they don't have the rock alarm. Some of them you can see the alarm buttons on them so I won't open the door, I will just crawl through the window. That way I don't disturb any alarms.

I'll crawl through, go on in and get to the ignition cylinder system in it right here. I will show you that works there. I will use this tool to extract the ignition cylinder out of the lock.

Earlier Fords, like 1977 models, it's real simple to pull the harness off of the back and just plug another substitute switch in. There you go. The same with this thing here, I can have another key in a cylinder that works. You can see how weak that is, right where it breaks these little ears off of these things. It holds the cylinder in this switch. It's real simple to pull that out.

Senator PERCY. Now that, again, that is no more than a minute.

Mr. SMITH. It's real quick.

Senator PERCY. That time includes climbing through the window if there is an alarm system?

Mr. SMITH. Yes, sir.

Mr. MAYER. Mr. Chairman, Mr. Smith has not stolen any motor vehicles since his arrest in early 1979, and thus has not been able to study in detail the latest antitheft designs used by the major auto makers on 1979 and 1980 motor vehicles.

At this point, Mr. Smith is prepared to demonstrate the use of one of the latest tools designed to defeat 1979 and 1980 model General Motors vehicles' antitheft devices. It's called the GM force tool.

Inside sources in Chicago inform us that this tool is now widely used by professional thieves. The tool was obtained from Mr. Fred Jarm, an experienced motor vehicle reposessor, who was subpoenaed by the subcommittee. Through his firm, Repossessors Supply, a division of Credit Industry Associates in Arlington Heights, Ill., he markets the GM force tool as a device for reposessors and salvage dealers.

Mr. Jarm successfully demonstrated the use of the tool to Mr. Smith only yesterday. Today Mr. Smith will attempt to defeat the antitheft devices on a 1979 Chevrolet Malibu, using the GM force tool.

Once again, Mr. Chairman, it should be noted that the 1979 demonstrator ignition systems are identical to those coming off the major motor vehicle manufacturer assembly lines today.

[NOTE.—Mr. Smith demonstrates vehicle theft techniques with a 1979 General Motors Chevrolet Malibu. A cutaway of the driver's side of the passenger compartment, including door, cowl, and steering column, has been mounted on a platform constructed for the demonstration. Mr. Smith uses a "slim jim" to unlock the door and gain entry to the vehicle. Once inside, he uses a screwdriver to pry off the chrome key-guide which covers the ignition cylinder. This reveals the flange which circles the exposed end of the ignition cylinder—a flange with two gaps on opposite sides of the key hole. Mr. Smith then demonstrates the use of the "G.M. Force Tool," designed with two metal "ears" to fit into the gaps in the flange of the ignition cylinder. By applying pressure and torque to the tool, Mr. Smith breaks the restraining bolt which holds the ignition cylinder in place, twisting the entire starting mechanism to release the steering column lock and turn the ignition lock to "start".]

Mr. SMITH. Again, we will get into this car with this slim jim. This is another tool that's used to run down by the window and trip the lock. General Motors in 1979 put a shield over this door lock that is supposed to prevent this, but you'll see here that it doesn't prevent it. Once we get inside the vehicle—this is a new tool that a guy has designed. It's real impressive to me. We will show you that the ignition works with the key. I need a small screwdriver, please. We will use a screwdriver to flip this cone off. You take this tool. This tool right here, see these dog ears on it right here, they slip into this General Motors—General Motors made two indentations that made it perfect for this tool to fit into. You make sure that you get her lined up just right, tap it on there real good. That's all it takes, your 1979—

Senator PERCY. How long were you in training for this yesterday?

Mr. SMITH. No longer than what we just did today.

Senator PERCY. The committee will stand in recess for another 5 minutes. There is one more vote on.

[Brief recess.]

[Senators present after break: Senator Percy.]

Senator PERCY [presiding]. The committee will resume its hearings and call to the witness table Mr. Rodney Snow. Mr. Snow, if you could raise your right hand, do you solemnly swear to tell the truth, the whole truth and nothing but the truth, so help you God?

Mr. SNOW. I do.

**TESTIMONY OF RODNEY SNOW, CHIEF, CRIMINAL DIVISION, U.S. ATTORNEY'S OFFICE, DENVER, COLO.**

Senator PERCY. Mr. Snow, could you identify yourself? We are going to have to speak over the noise here but I think we can make it.

Tell us where you are presently employed and what your current position is.

Mr. SNOW. I am currently employed at the U.S. attorney's office in Denver, Colo. I am chief in charge of the criminal division there.

Senator PERCY. How long have you worked for the U.S. attorney's office?

Mr. SNOW. Approximately 4 years.

Senator PERCY. I understand you have read Mr. Smith's complete affidavit. Did you find the affidavit to be accurate?

Mr. SNOW. Yes; I did.

Senator PERCY. Did you prosecute any vehicle theft cases prior to going to work for the U.S. Attorney's Office?

Mr. SNOW. Yes; I had.

Senator PERCY. Were there any single car cases that you prosecuted in which you suspected the criminal defendant was part of a ring?

Mr. SNOW. Yes, sir.

Senator PERCY. Why did you not investigate those further?

Mr. SNOW. Those cases took place more when I was a local prosecutor. I was a district attorney for the city and county of Denver for 5 years prior to becoming a Federal prosecutor. At that time, my workload, as it is still with those folks there, was so large that it was just a question of manpower and moving on to the next case.

Senator PERCY. We have seen a demonstration of Mr. Smith's skills which are considerable, considering he was confronted with one or two lock systems that he had not seen before. How would his skills as a thief compare with other thieves that you have prosecuted?

Mr. SNOW. He's the best that I've seen.

Senator PERCY. Pardon?

Mr. SNOW. He's the best that I've seen.

Senator PERCY. Why did your office decide to prosecute the Smith case?

Mr. SNOW. Because of its complexity. It's the largest case that's been prosecuted in our jurisdiction ever, to my knowledge. As Federal prosecutors, we are supposed to go after the complicated cases. This was fairly complicated.

Senator PERCY. In the time you have served in the U.S. Attorney's Office, has your office declined prosecution on any vehicle theft cases where Federal law would apply?

Mr. SNOW. Probably on a daily basis.

Senator PERCY. What are the Justice Department's guidelines for prosecution of motor vehicle theft cases?

Mr. SNOW. Basically we look toward the organized crime or the car ring cases. There are a lot of situations when it's a one-car theft. Clearly the kid joy riding, out to start with, that is referred to locals or the one-car theft, that is generally referred over for a local prosecution also, just, again, for sheer logistics and being able to prosecute so many cases.

Senator PERCY. Has the Justice Department changed its prosecutorial guidelines at all in recent years to meet this increasingly serious problem?

Mr. SNOW. I think more and more our office and offices throughout the country are looking toward the organized or car ring people to prosecute, yes.

Senator PERCY. Do you think these changes in the guidelines were an appropriate response?

Mr. SNOW. Oh, clearly, yes.

Senator PERCY. How serious a criminal problem do you consider motor vehicle theft to be?

Mr. SNOW. In terms of money, of the classic nonvictim crime, it is probably the highest that we have because of the sheer volume, and a great deal of it goes unprosecuted. So it is very, very serious.

Senator PERCY. And finally, what changes in the auto theft laws would most help you as a prosecutor in stopping professional auto theft?

Mr. SNOW. I think the ones you have in mind now would be exactly the ones I would propose. We are talking now about getting into the RICO area, the organized crime area such that we could include the car ring thefts into the RICO area, such that we can go after the people on a monetary basis.

When we prosecute someone, as we did Mr. Smith, it is one thing to put him in jail; it's another thing to go after the chop shops and the multimillion-dollar businesses that assist the people like Mr. Smith in his business. If you change the law such that we can get into the RICO area, we can seize all of those assets that we can trace and we found before even with organized crime, that makes a bigger dent than perhaps the other areas.

Senator PERCY. I want to thank you very much indeed. Is there anything further you would like to add that you think would be helpful to this committee?

Mr. SNOW. No, sir. I would be happy to answer any other questions.

Senator PERCY. Counsel has suggested that you comment specifically on putting VIN's on component parts. How would you have been helped, if identifying numbers had been placed on critical automobile parts?

Mr. SNOW. One of the ways that we caught Mr. Smith and his ring was that the VIN numbers are only on the frame rail itself. When it's inspected, and law enforcement officials—in this case someone who was simply doing car inspections in Colorado—it's required every 6 months or a year to have your car inspected to make sure the lights work, horn, that type of thing—in this particular case in looking inside they noticed the frame rail had been welded and in a particular area, obviously they had cut out the old frame rail and inserted a new frame rail in terms of where the VIN number is. That is just one place, and that is easy to do. If those numbers are placed, stamped in the metal throughout the various and sundry parts, I agree with Mr. Smith, it would be terribly difficult to get rid of all of them because even if you get rid of them, you have a blank there and you have to restamp something else. The chemistry is such that we can pull up the old numbers, no matter what you do with this.

Senator PERCY. Thank you very much, Mr. Snow. Sorry we delayed so long in having your testimony. It is very important to have it. I thank you very much.

The Chair will call as our last witness Lt. Richard McQuown.

Perhaps we could swear you in.

Do you solemnly swear to tell the truth, the whole truth and nothing but the truth, so help you God?

Lieutenant McQuown. I do.

#### TESTIMONY OF LT. RICHARD McQUOWN, COMMANDER OF THE AUTO THEFT UNIT OF THE KENTUCKY STATE POLICE

Senator PERCY. Lieutenant McQuown, we are running extraordinarily late. Again I apologize to you. We just ran over our scheduled time and had not expected rollcall votes during the course of the morning's proceedings.

I will leave it to your own judgment as to whether or not you can abbreviate your testimony—of course, your full statement will go in the record.

But if you feel to tell the whole story you should give the statement in full verbally, you can certainly do so.

Lieutenant McQuown, No, sir, I will bypass the statement. Most of the people have a copy of it.

Senator Percy. Let's just go right into the presentation and then questions. Afterwards, if there are points that you feel have not been brought out, we will bring them out.

The full statement will go in the record at this point.

[The statement referred to follows:]

STATEMENT OF LT. RICHARD McQUOWN

Mr. Chairman, Members of the Subcommittee, I am grateful for this opportunity to appear here today and discuss the serious vehicle theft problem that our nation is now experiencing. My name is Richard McQuown. I am a lieutenant with the Kentucky State Police and have been Commander of the Auto Theft Unit since 1973. I have served on the force for 23 years. I am a graduate of the Federal Bureau of Investigation National Academy and am also fourth vice president of the International Association of Auto Theft Investigators. All told, I have trained 2,500 police officers in auto theft investigations.

During my 23-year career with the Kentucky State Police, I have witnessed an evolution in vehicle theft. Until recent years, the prime culprits in vehicle theft were teenagers who stole cars to joyride—have a thrill—and quickly abandon the stolen vehicles. Joyriders still exist, stealing and vandalizing cars despite alleged improvements to vehicle security systems. However, since the mid-70's, there has been a marked increase in professional vehicle theft. Once a professional steals a vehicle, it virtually disappears without a trace. These vehicles range in value from about \$5,000 for a late model car to \$50,000 for trucks and tractors. Where do the stolen cars and trucks end up? Based on my experience, they are dismantled in chop shops and their parts sold to salvage yards and auto repair shops.

Chop shops have had a profound effect on the recovery rate for stolen vehicles in Kentucky. Since 1974, recoveries have dropped from about 85 per cent to the present rate of about 60 per cent. I believe this drop in recoveries has largely been caused by the 35-40 organized vehicle theft rings now operating in the state. At least half of these rings are chopping cars.

Chop shops have increased in popularity for several reasons. First, the supply of easily stolen cars is almost endless and the demand for crash replacement parts continues to be high. For example, if a 1970 Chevrolet Malibu is damaged in an accident requiring the car's front end (the dog house or front cap, as it is commonly called) to be completely replaced, it would take the average Kentucky body shop at least 30-45 days to order the needed parts from Detroit, and then assemble, install, and paint the damaged vehicle. To avoid this lengthy time delay, a body shop will often buy its parts from a salvage yard equipped with a log line—a telephone intercom system used to locate parts. Often, the needed parts can be located and delivered within a few days, and in some cases, overnight. Once delivered, the vehicle can be repaired and rolling again within a week or two.

In Kentucky, a number of organized theft rings have taken over salvage yards, monitoring the log lines and taking orders for needed parts. Once an order has been taken, the ring will steal a vehicle to fill the order. Some salvage yards also act as outlets for organized chop shop operators stocking up on stolen dog houses, rear clips, pick-up cabs and drive trains for four-wheel-drive vehicles. In short, these yards are automotive fencing operations which stand very little chance of being uncovered. However, even if the police are successful in identifying a fencing operation, arrests and prosecution are hard to get because the stolen parts that are fenced carry no identification numbers. A positive identification is particularly difficult to make when the stolen parts have been shipped to Kentucky from another state, such as Ohio. Because the owner of the stolen

car may reside hundreds of miles away from the point of arrest, he seldom travels the distance to make a positive identification of the stolen parts.

An honest salvage dealer cannot compete with a chop shop operation. The honest salvage dealer may pay \$1,000 to \$2,000 for a legitimate salvage vehicle purchased at an insurance auction and may only receive half a vehicle due to collision damage. On the other hand, the chop shop operator pays a street thief \$100 to \$300 for a complete vehicle which can then be cut up for its usable working parts and undamaged sheet metal components.

Many honest salvage dealers have told me that they are unable to buy at auction the fast selling salvage from late model Corvettes, Pontiac Trans-Ams, Cadillacs, Lincoln Mark Vs, and certain pick-ups. Salvage dealers and rebuilders of questionable honesty bid up the price to ensure that they get the desired vehicles. These vehicles are destined to be used for salvage switches (retagging) or to be rebuilt with stolen component parts. In many cases, the same people are involved in salvage switching and chop shops.

Vehicle rebuilding is another ready-made market for chop shops because rebuilders can make a larger profit by using chop shop-supplied parts. Whatever parts the rebuilder needs can be obtained by one phone call to the chop shop. Because the chopper steals an identical model car off the street as the one to be rebuilt, the stolen parts often do not even require retagging.

Persons who wish to defraud their insurance carriers are another source of cars for chop shops. These people turn over their gas guzzlers or lemons to a chopper and then report the vehicle stolen several days later. Even if the police happen to raid the chop shop when an insurance fraud vehicle is being cut up, the choppers can still claim that the vehicle was turned over to them voluntarily by the owner. If the insurance industry tightened up its procedures to investigate stolen vehicle claims, this effort would help reduce the occurrence of insurance frauds.

In order to reduce the retagging problem, insurance companies must not be permitted to provide a would-be purchaser of a salvage vehicle—often a complete wipe-out—with a negotiable title. In such a case, the salvage vehicle could be used by a retagger to get clean numbers and a good title for a stolen car. To stop this from happening, salvage vehicles should only be issued the equivalent of a death certificate—a non-negotiable junk title.

In Kentucky, chop shop operations have also become a serious problem in rural areas. For example, the word "chop shop" was unknown in Leitchfield, Kentucky with a population of 2,083; Boston, with 350 people; and tiny Eastview with 70 people, until recently when three large chop shops in these towns were discovered and shut down.

According to the FBI, from 1977 to 1978, vehicle theft has increased in many small Kentucky communities. For example, in Owensboro, with a population of 51,000, the theft rate rose about 112 percent in a one-year period; in Madisonville, with a population of 15,500, the theft rate went up 82 percent; and in Flatwood, with 7,830 citizens, a 200 percent increase in thefts has been recorded. Auto theft has smacked the rural victim right in the face in recent years. People are now beginning to lock barns and chain equipment down.

The reason for the increase is simple; these towns cover a large geographical area and are supplied with relatively few police officers. In addition, rural law enforcement officers often are not as well-trained as their counterparts in the cities. Most importantly, rural law enforcement agencies seldom specialize in the investigation of any type of crime, including auto theft. Only the larger sheriff's departments and state police department have auto theft investigators.

Until we started an auto theft incentive program in Kentucky in 1976, we were unaware how large an auto theft problem we had on our hands. The independent insurance agents of Kentucky sponsor our "Screaming Eagle" auto theft incentive program. As a result of the "Screaming Eagle" program, we have more than doubled our stolen vehicle recovery rate and have nearly tripled our auto theft arrest rate. In addition, more than 20 organized theft rings have been shut down since 1975. In spite of the encouraging results, during 1978 Kentucky still suffered a 3 percent increase in auto theft. For the first six months of 1979, auto theft in Kentucky has risen 7.4 percent compared to the same period for 1978.

I brought with me today a series of slides which are an overview of the auto theft and chop shop problem in the State of Kentucky. For the next few minutes, I would like to walk both the Subcommittee and the public through the methods and techniques used by professional vehicle thieves. We will start

at an insurance salvage pool where salvage vehicles can be obtained, and then move on to take a closer look at salvage yards involved in both chopping and salvage switching operations. Next, we will look at some chop shop operations that were recently broken up by the Kentucky State Police. Some of the slides which you will be seeing today were previously used as evidence in criminal proceedings and have also been made available to police agencies for training purposes.

LIEUTENANT McQUOWN. I have provided a glossary of terms that I will be using during the slide presentation.

Senator PERCY. The glossaries are being distributed now.

[The glossary follows:]

#### GLOSSARY OF TERMS

Chop Shop-----	Term used when vehicle thieves virtually cut vehicles apart for the purpose of selling component parts.
Cut Shop-----	Same as chop shop.
Salvage Switch-----	The switching of a salvage vehicle's identity, serial number, license plates, title, door and ignition locks and, in some cases, the engine, transmission and frame or confidential numbers, to a stolen vehicle in order to conceal the stolen vehicle's identity.
Re-Tagging-----	Same as salvage switching.
VIN-----	Vehicle identification number, serial number—term once was "motor number."
CVIN-----	A confidential vehicle identification number, hidden numbers.
TIN-----	Transmission identification number.
NATB-----	National Auto Theft Bureau—an organization supported by 450-500 member insurance companies. Function is to maintain factory shipping records, trace vehicles and assist in the identification and recovery of stolen vehicles.
Slammer-----	Slam hammer. Body Dent Puller. A tool used to pull ignition and door locks. Common body shop tool to pull dents.
Slim Jim-----	A slim metal strip, tooled on one or both ends, used to slide into vehicle door to unlock the door.
Dog House-----	The entire front end of a vehicle (car or truck) from the windshield forward. Includes hood, both front fenders, grill, headlights, bumper, radiator, and inner fenders. Usually a complete assembly.
Front Cap-----	Same as dog house.
Front Clip-----	Usually includes dog house and the cowl and instrument section. It is normally cut across front floor board at the location of the door opening.
Rear Clip-----	Includes roof and entire rear section of vehicle, usually cut at windshield posts and front floorboard.
Cowl Clip-----	Includes cowl, firewall, instrument panel, all wiring, steering section.
Cowl-Roof Clip-----	Same as cowl clip but includes roof back to rear quarter panels, includes back glass in some cases.
Quarter Panel-----	Rear fenders from door back to taillight assembly.
Cab-----	Usually an entire pickup truck or larger truck compartment, holds driver and passenger, usually complete with interior.
Box-----	A pickup truck bed.

Unl-Body-----	Usually a passenger car body that is constructed as a single unit that does not need a frame for strength.
Frame-----	The steel structure that supports the entire body, engine, transmission and rear end and the front of rear suspension.
Federal Safety Standard Certification Label.	A sticker commonly used since 1968 on all vehicles, usually located on door or door posts. Sometimes referred to as a "Nader Sticker" relating to Ralph Nader.
Serial Plate-----	Vehicle identification plate, usually unique to each manufacturer, is normally attached by special rivets and is constructed of metal.
VIN Plate-----	Same as a serial plate.
Rebuilder-----	A person who specializes in rebuilding collision or fire damaged vehicles.
Body Shop-----	Specializes in repairing collision or fire damaged vehicles for customers.
Switch Kit-----	A complete set of a vehicle's identity includes VIN plate, license plate, federal certification label, ignition and door locks with keys, dealer name tags and on occasion car-tells.
Car Tell-----	A factory assembly paper that is used on the line when a vehicle is assembled. Usually has the vehicle's serial number. Also called a factory broadcast form.
Factory Broadcast Form-----	A car-tell described above.
Mule-----	A person who steals the vehicles and delivers them to a middleman or directly to the chop shop, usually for a fee of \$200 to \$500.
Roadrunner-----	A delivery truck for salvage yards usually connected to a long line service—regular routes.
Long Line-----	Telephone Intercom service connecting many salvage yards. Each yard pays a set fee to be on a long line.

[Presentation of slides.]

Mr. McQuown. The view you see right here is an insurance salvage pool in Kentucky. This is where some of the vehicles are purchased by salvage dealers, from Kentucky, Indiana, Ohio, and Tennessee. Most Kentucky salvage dealers purchase from this pool. About 100 vehicles are sold each week at this insurance pool. Most of them are totaled out beyond repair. Some burned, some are in pieces that have been recovered by police departments and are recovered thefts.

I will attempt to go through here and show you exactly why re-tagers and choppers buy this type of vehicle.

This late model Pontiac is the type of vehicle that would be rebuilt in a body shop and many of the parts to rebuild this vehicle would either come from a chop shop operation or have to be purchased new and shipped by the manufacturers. It would take 4 to 6 weeks for most Kentucky body shops to repair and put this vehicle back on the road. If these parts are obtained from a chop shop operation, this car can be repaired in a week to 10 days.

Many of these parts are stolen to the exact color. They will go out and actually steal a similar vehicle of the same description and color and chop this vehicle up. You can see the extent of damage on this vehicle. This vehicle retails for about \$9,500. This is ideal for the type of vehicle that needs a rear clip. This vehicle is damaged extremely in the rear section. The front section from the windshield forward is in good condition. Except for the rear clip, this could probably be re-

paired in 2 days. Each part would have to be assembled separately. It would take about 6 weeks to rebuild this vehicle by buying new pieces. That vehicle could very well be put together with the exact same color.

This is ideal for a chopper—or rebuilder. Rebuilders are perfect outlets for chop shop operations. If they buy this vehicle, they would need a cab, hood, painting and possibly other parts. The vehicle of the same color could be stolen and the cab transferred over to this salvage vehicle and rebuilt in a matter of days.

This pickup is ideal. It has a perfect frame beneath it. The cab and bed, which is commonly called the box in salvage terms, will be discarded; a stolen cab and bed will be put on this vehicle and this is the ideal type that they want to purchase.

The T-top Thunderbird is a perfect example of what a salvager, chopper, or retagger would like to purchase. Vehicles like these are hard to purchase by legitimate salvage dealers because the thieves actually pay much more for them.

The same with this Cadillac, it is ideal for either retagging or chop shops to be used in rebuilding.

This pickup truck is an example of what should not be sold on the salvage market. It virtually has no usable parts. It was a recovered theft. However, with this vehicle in the State of Kentucky, it will be sold with registration and title and it can be transferred. This vehicle can be insured by one phone call to an insurance company. The license receipt can be surrendered to a bank and about \$6,000 can be borrowed on this vehicle. The vehicle later could be reported stolen and it actually does not exist.

This is what we call a phantom vehicle, a perfect example of what could be an insurance fraud. Vehicles like this sold through salvage pools to salvage yards with virtually no value just invite theft or insurance fraud.

Here is a new technique used in the theft of Corvettes. The individual who stole these three vehicles right here was apprehended and he had these three items in his possession. That is all he needed to steal a Corvette in the year 1968 to a 1979 model.

The guy merely punched an ice pick through the fiberglass door. It will unlock the door quicker than a key. Same on the 1979 Corvettes, see the small ice pick hole immediately behind the door lock. That vehicle also is a 1979 model. He was a weight lifter and he claims that he was able to grasp with his left hand the dog ears over the lock—and defeat that locking mechanism. He did not show me this but he claims it.

Once the locking mechanism was defeated, a special tool was inserted in the lock. He could put all these in a pocket.

This salvage operation was in Leitchfield, Ky., we raided it several years ago; it is a classic example of how legitimate salvage dealers might be inclined to purchase a stolen vehicle or chopped parts and fence them through their locations. This salvage dealer was buying from a chopper. I went through the lot one Saturday morning about 10 a.m. and discovered some surprising items.

I went there to purchase a vehicle part for a vehicle I was working on. Incidentally this lot was run by an individual and his father. The

father was a former detective of this county. I was somewhat disturbed to see what I observed there that morning.

This vehicle section is a front clip, it includes the instrument panel, cowl and what we call the front cap or doghouse. I noticed this vehicle on Saturday morning, or what was remaining of it. I quickly glanced at it and noticed the lock had been pulled. The VIN plate on top of the dash, where there are two holes, had been removed. The windshield posts had been cut much too low. If the vehicle had been wrecked, it would not have been cut that low. If it had been wrecked, it would have been wrecked in the rear and the rest of the parts would have survived. You would not cut a windshield post in a salvage yard that low.

This was also cut with the windshield in it. We consider this a speed cut. The doors were cut off rather than removing six bolts. This necessitates taking the door back down and installing two new hinges. This is a waste of component parts. A salvage dealer doesn't normally do this, this is not a normal salvage yard operation.

This is the rear clip, late model Ford, notice it has been cut across the windshield, and floor plan walking by I noticed the Federal Safety certification label had been obliterated. This is an indication to me it was done to conceal its identity.

Further examination indicated the trunk lock had been pulled. This is done for two reasons, to keep the owner's key from being fit into the lock and prove it is his and also to enter the trunk when they don't have a key.

The door was a point of identification that made this identification absolute. The wife of the owner on the phone said if you have what I consider to be my vehicle down there you will notice on the right door around the door lock someone vandalized it and I touched it up with touchup paint and it looks like a cobweb drawn around the lock. They brought the key down and it did operate the lock and they identified the cobweb design.

This pickup truck cab has absolutely no damage on it whatsoever. A cab like this if it was involved in a collision will have some damage somewhere, either in the back, front or side area. Examination of this vehicle, after about a 5-minute walk I took around the salvage yard, I noticed it was complete with interior. This sticker indicated to me it was an Indiana vehicle. This is a typical Indiana inspection sticker, with a blue Indiana outline in the center. This would help me narrow it down to where this vehicle originated from.

The VIN plate had been removed from the door. The Federal safety certification label obliterated, the lock had been pulled and I noticed something unusual, a tissue in the right door lock. When we got the owner to come down to identify what we considered the suspect vehicle that he might have had stolen from him, his wife told me "cold air blew in on my hip" and she placed the tissue there and she identified it.

Personal identification like this is, in many cases, much more important and convincing to a jury than some numbers are. We have to have numbers, though.

Mr. Boesche, the owner of the truck, has since had two more pickup trucks stolen from him. He decided to get out of the pickup truck

business. He came down and identified his truck with many certain personal characteristics, and his keys operated his door lock. I was there Saturday morning at 10 a.m. : I stayed about 15 minutes. I came back again on Monday morning. When I arrived Monday, this front end of this same pickup truck was positioned on the lot. This front end was positively identified by the owner and his wife. A very unusual technique was used here. Their cat slept on the hood and the cat tracks were very evident on the hood of this truck. Also an owl had roosted right above it, and the owl droppings ate through the paint, and the owner knew exactly where they were and did point these out.

It is an unusual means of identification, but it did work. Incidentally the defense attorney conceded that this was their front end.

This is a late model Camaro. When I was there the people were right proud of their operation, had no idea I was observing what was going on, wanted to take me up to their body shop, which was located about a mile away, and show their new facility.

I walked inside and observed this. This is what we call a cowl and roof clip of a Camaro. Incidentally, back to the pickup truck. I will show you how fast they operate. I observed this truck on 10 a.m. Saturday morning. When I went back on Monday to identify it, I found out this pickup truck, the yellow cab and front end, were stolen between 11 a.m. and 2 p.m. the day before, 100 miles away. So it was cut up and placed on the salvage yard to be sold within 24 hours. This cowl clip was observed by me.

I noticed the VIN plate had been removed. Close examination of the two doors revealed they peeled the Federal certification number away because it bears the vehicle identification number. However, they did not peel the one indicating the air pressure. Two cuts with a torch—the rectangular opening to the right is an area where the confidential number is located. While we were examining the yellow front end at the lot, they came up to the body shop without us being present and removed that air-conditioning section, made a quick cut of the two numbers because they were fearful we would proceed on up to the body shop and see these numbers.

What they didn't realize is droppings from the torch, heat went down to the floor and stuck and we were able to prove they were cut right there in that position.

The owner identified the sticker where he put the date and mileage of the oil change he performed on the vehicle himself in his own handwriting. They were going to use that cowl and roof top to repair this collision-damaged Camaro in the same body shop.

While I was observing the orange cab, this red and white Ford cab was sitting next to it. When I arrived back Monday morning they said they sold it and shipped it some 30 miles away to a body shop. I went to the body shop and observed it had the VIN plate removed, Federal certification label removed, and there was hail damage on the roof.

I got a computer printout of every vehicle stolen in the State of Kentucky. I took this printout, which I have here with me, and I looked up every red and white Ford pickup we had missing of a particular year model and virtually went to every one of the owners and found out which had hail damage on the roof. The owner came down and positive identification on the truck was made. This was found

under the front seat. This is a factory cartel. Right at the very top on the left-hand side on the word truck you can see F10YUV49040. It was the VIN number of the stolen truck. It was also identified by this method. This is not positive, but it is a means we use to identify a vehicle. I understand there have been some new regulations requiring manufacturers not to place these in vehicles anymore because they are fire hazards. If they remove this it will be another means of identification we won't have in the future.

This pickup truck cab I observed Saturday morning was also shipped out on what is called a "roadrunner." A roadrunner is a truck that delivers component parts for long-line operators that connect up to 100 salvage yards. Each one of these salvage yards is connected with what is called the long-line intercom system; when they need a part they merely pick up the phone and blurt right out they need a cab for late model such-and-such pickup, and someone will come back and say, "I've got one for \$650."

Pretty soon someone that is illegally operating one of these salvage yards comes on and says, "I have one for \$550." They will dicker around on the price a little bit and finally sell this. The trouble is, the one who sells the exact color puts the legitimate operator at a disadvantage.

This owner I arrested about 12 years ago for DWI when I was a trooper. He lost his truck, but he was a good witness and he said, "I drilled a hole right there for my CB antenna." This is a photo printout of the vehicles which I identified by the means of the printout. Really I don't see how any State can operate without one when you go through a process of elimination. All six vehicles on that salvage yard were identified. Only two had confidential numbers or distinctive numbers we could trace them by.

This is a late model Thunderbird, a 1978 model. It was stolen new off of the dealer's lot. A chopper in Northern Kentucky, south of Cincinnati, purchased a similar vehicle that was totally wrecked. He removed the entire cowl, firewall, and instrument section from the salvage vehicle and the engine and transmission. Then he took this car, a brandnew Thunderbird, removed the entire front end and the engine and transmission. Then he cut the windshield posts in two and the floor pan right across and installed in its place the salvaged cowl section. The salvaged cowl section contains the confidential numbers. You will see right across the floor pan where the section was cut, however, we were able to identify this vehicle through other means.

The vehicle is still in our possession, half of it is owned by the thief and half owned by the insurance company. We really don't know what to do with it. I will cut it up if necessary and give him his section back. This is a unique type of an insurance fraud. It is an entire chopped-up late-model Lincoln. We found this last winter abandoned, just as you see it now. It has the motor, transmission, and the confidential numbers intact, and every piece of this vehicle was carefully disconnected, unbolted, removed, or unclipped except the roof. I thought it unusual, so we took a lot of pictures of it.

The next thing that happened is the owner requested to retain possession of it. This is unusual when we find a victim who loses a vehicle like this and he wants to keep it. He deducted \$1,000 from his claim and collected from the insurance company \$9,000 and kept this.

Several months later, after we made additional photos, noticed how stripped down this vehicle is. Several months later when the Thunderbird was recovered in a chop shop, we discovered this Lincoln, the same Lincoln. And the owner was having it put back together, and the cost was going to be \$500 for the person reinstalling all these parts. The total profits on his own automobile was \$8,500. The only thing he welded back was the roof. We took it into our crime lab, the garage; I had my men work on it there. The entire interior was being installed piece by piece, and we proved that that vinyl roof had been glued to the bottom section through our lab, proving it was the same top that was cut off that vehicle. In the trunk of this vehicle were 13 odometers of late-model Chevrolet trucks; each one represents a chopped-up stolen pickup truck.

This is a brandnew engine from a Ford pickup truck, probably never been driven any further than from the place of theft to the chop shop. This is a four-wheel drive unit cut from the pickup. This four-wheel drive has a transfer case, transmission, front wheel drive axle, and rear axles. They sell these in the area for \$1,000. There are no numbers on those component parts.

Incidentally, they do need numbers. This is unusual. They cut up the cab of the pickup truck. This cab usually brings anywhere from \$750 to \$900. I don't know why they cut it up. Evidently they had too many of them.

This is what the blue pickup I pointed out a while ago turned into, an overnight rebuild. This truck was stolen near Lexington, Ky., some 130 miles away from this location. It was identified as a stolen 1977 Ford four-wheel drive pickup. It is now on a two-wheel drive frame. Notice the green paint inside the taillight. This was from a 1979 Ford and it matched the bed of the cab that was traded at the body shop.

This had an Explorer package on this truck when it was stolen. It had a red trim decal struck to the exterior of the truck running full length and curled inside. They didn't even take time to remove part of the decal. The owner is shown making part of his identification.

The holes you see in the floor were cut because the four-wheel drive cab of a particular model will not fit on a two-wheel drive frame and they had to cut holes for it. The four-wheel drive opening was concealed by this plate welded over and positive identification on this truck without any numbers whatsoever, was made by this 30-caliber cartridge that the owner had used to hunt. He put his spent cartridges up on the dash and one fell down in the defroster ductwork.

We found that, contacted the owner, took it to our lab, along with his rifle and proved his rifle fired that cartridge, making positive identification.

This young man here lost his 1977 Ford pickup truck. He had no insurance and he was going to be out about \$6,000. We located the truck by the printout, narrowed it down to his vehicle. He willingly drove 200 miles from the Cincinnati area down to the chop shop location and was able to make about 13 positive points of identification, including this one where he put the antenna on. The unusual part about this truck, they lifted the body off of his chassis that had 28,000 miles and they put it on a brandnew Ford chassis with no numbers and it was a  $\frac{3}{4}$ -ton size, much more expensive and he drove home with a better truck than he lost.

He made positive identification of his engine. He said, "I wanted a little more air to get in my carburetor" so he put a piece of a ballpoint pen cap on it. He walked right up to it and found his ballpoint pen cap. The individual, Harold Fowler, that drove the truck into the chop shop that day had a key in his pocket for the Ramada Inn. We went to his room, his personal luggage was inside along with the victim-owner personal effects from the silver truck. Parked outside was this new Bronco. It was stolen from Cincinnati, Ohio.

He was convicted on that, also. The maid and employees of the motel observed him driving it into the motel.

This is a slide of a salvage yard. The Lincoln was owned by an individual that we identified in this particular case here. He disappeared while we were investigating him. For 6 weeks we had no idea where he was. One day a salvage dealer called me and said, "Do you know an individual by the name of J. R. Silcox." I said I was looking for him. He said, "He wants to buy six vehicles I have." I said "Sell them to him." Furthermore, he wanted them delivered. I sent a man to the salvage yard and made a delivery to the chop shop by one of my men. This is a vehicle he purchased. He also purchased this one. This is the cab from it.

He requested the salvage dealer to remove the VIN plate. He came back in a little bit of a hurry and when he saw the VIN plate he removed it himself. Remember this pickup truck, this is one of the six before and after it was completed. It was burned in the cab and front section, a 1976 Ford. While we were investigating, we went to a body shop and found out this individual had sold this particular 1979 cab to a body shop, rather he traded it.

Now this indicates it is a four-wheel drive, automatic transmission, factory air-conditioned and it obviously had low miles because they removed the speedometer and it had no residue buildup, indicating it was probably stolen from a dealer's lot.

There is no motor, transmission, anything of significant value in the truck except the cab. He came back and removed the locks and VIN plate, a typical retag situation. This truck was licensed the next day. It is in a fictitious name and address in northern Kentucky. We currently have it entered as a wanted vehicle. I hope to locate it soon. He came back to the body shop and sold the man two doors perfectly matching the cab. They should because they came from it.

We made delivery with one of my men to this location in a remote area of Grayson County, Ky., about 100 miles from Louisville. And we maintained surveillance on this location from a cemetery. One of my men sat behind a tombstone in the pouring rain for 3 days. We had a chase car on down the road with a radio.

We observed a vehicle pass and blow its horn; it was a late model Ford pickup. It went on by, we chased the car, got the license number, passed it and went on. The vehicle returned back within a 3- or 4-minute time span, pulled up to the door, blew the horn, the door went up, the truck went in. We ran a check on the license. It was stolen out of Cincinnati the night before. It took us a few hours to get a search warrant because this was a Federal violation. We were investigating on Federal and State charges; the FBI agent handling the case was in Lexington. By the time we got our search warrant and went in the shop, this is what was left of this pickup truck. We ar-

rested two men by the names of Harold Fowler and J. R. Silcox. They were both convicted and are serving time for this vehicle theft.

The tires and wheels were still wet from the rain outside. This is the bed or box on the pickup truck. Notice the number 726 in blue grease pencil mark. This is what is called a rotation number by the manufacturer. If you have a suspect vehicle, they can connect this rotation number with the vehicle's VIN number. It is a method we use many times to identify vehicles.

This auto theft ring was the culmination of \$250,000 worth of stolen trucks we identified. This is a 1979 Ford body on a 1976 chassis. Unless you paid less than market price, you don't put newer parts on older vehicles. This cab would cost you about \$700 to \$900. The front end about \$650 to \$700 and the bed on the back end would be about \$300 to \$400 and we were repairing a 1976 model truck. So really it was low overhead. They didn't pay very much for their parts. The Federal sticker had been reglued and applied to the doorpost. The owner is Frank Wesley, of Louisville, Ky., again with use of our printout we narrow down the suspect vehicle. He came down and said, "if you take the door panel off of that truck door, inside you will see where body damage has been repaired." He is pointing to the area on the outside where he received damage at one time.

We removed the door panel and right under the tan paper you will see a line of little white dots. This is where the slammer was used to pull out the dent and repaired exactly where he said it was. But the real clincher is this, when the truck was painted at the factory, this is one of many of the pickup beds and vehicle parts we recovered, when that truck was painted in the factory a hair was embedded in the paint. Looked like a "C" He tried to rub it out. He said I will show you how I can identify my truck. There will be a hair embedded in the paint. He walked right up and identified it.

This individual we arrested in this case; two of them were both convicted month before last. He is pointing to the "C" that is embedded in the paint. It's a hair. This individual is Donald James Smith; our State government has sales of scrapped highway department vehicles, this was the remains of an old dump truck from the State Highway Department; he paid \$90 for that frame, runningboard and rear axle. He brought that home, took a new truck, stolen out of Louisville, Ky., \$18,000 value, and was installing all the stolen body parts on his frame.

Notice the VIN plate is not yet permanently affixed. It still has the yellow runningboard from the old highway department truck. The owner came down and said he installed that pressure gage. This is a tire tool that he put behind the seat. This and many other points helped make positive identification of the vehicle. This is a stolen truck front end, front cap, doghouse and cab. The bed was not stolen. In order to fit this Chevrolet Blazer frame, they had to cut this bed down to a shorter size. We were able to identify this front end and cab—the bed we recovered in another location—by the personal identification of the owner.

He himself installed those marker lights. He drilled that hole to run a brake line for the horse trailer. So these are personal points of identification which in many cases are much more valuable than the numbers are sometimes.

The owner of this wrecker when it was stolen, valued about \$12,000, came down and identified where he put custom pinstriping on the top

edge of the cab. He had his keys; they operated the door lock. Right on top of the cab on the opening of the door, you see a little round white object; that is where a bar light, a flashing warning light had been attached. We also found his bar light. He had no insurance. And he lost quite a bit of money on this. He is going to sue these individuals because they are quite wealthy. They own about a quarter-million-dollar farm.

This is the wrecker bed. They put it on one of the wreckers they were going to use. They call this the midnight Rambler. To give you one idea of how vehicles are stolen, during our State fair of 1977, we had about 20 vehicles stolen. During the 1978 State fair we shut down the gate to wreckers and no wreckers came in and left the parking lot unless the owner had his ownership documents with him, and we had only one vehicle stolen the next year.

Senator PERCY. Lieutenant, I wonder if you could break off at some convenient point. I want to be certain we do get questions to you. Senator Cohen has returned, also. So maybe you can break off at a point you think is a logical place to stop.

Mr. McQUOWN. I have a couple of unique cases here. I will show you these and go to the end of the next tray and stop at that point. This is a GMC wrecker we identified as a stolen Chevrolet. All the GMC insignias had been placed on the Chevrolet and changed its identity completely. You can see where the GMC insignia had been screwmounted into the side of the cab and the Federal sticker had been reglued and was a very sloppy job. The VIN plate is also loose.

This decal is part of the salvage vehicle that had been peeled from the glove box of the wrecker vehicle, a GMC, and installed in this one; the engine number is obliterated. This is an opposite switch; they took this GMC and converted it to a Chevrolet. This is a \$20,000 truck.

This was an Avis Rent-A-Truck, this hub odometer was on the stolen truck. It has recorded the miles from the point of theft to the chop shop. The paper tag from a GMC was located in the truck. This is about the end of this tray. This is the sister truck to the one stolen in Louisville. This owner of a stolen Ford truck made identification by means of a penny. He pointed out to a fuse box on the cab of his truck that was stolen and said "it kept blowing a fuse," so I stuck a penny right there. This late model Lincoln front end was recovered. It was also identified as stolen.

These are some of the trucks they use to transport stolen vehicles and their parts. This truck was abandoned shortly after the arrest of a known car thief. It has a winch in the front section. They winched the vehicles up inside of it and drove it on down the road. This is another delivery truck; it makes a weekly run to Chicago and brings back vehicle parts, such as this new Lincoln front end. A body shop operator said the man told him any time you need parts, let him know what color. As late as last Sunday week, I observed this vehicle coming through my hometown right after I got out of church. I walked over to the service station, looked at it and noticed some of the vehicle part numbers had been obscured.

I checked this truck and its contents. The truck was stolen. It was hauling these contents and the piece you see in the middle was the front clip to a late model Lincoln Versailles. It had 2,263 miles on it, stolen from northern Ohio.

This is how these stolen parts are transported across the country; these parts were purchased in northern Ohio and were being shipped down to the Mississippi-Tennessee State lines. So you can see the magnitude of this and how these choppers operate and how they deliver these parts to people across the country. That is all I have and I will close for questions.

Senator PERCY. Thank you. All right. If we could have the lights back on, please. We have a few moments of questioning here. How many motor vehicles are stolen annually in Kentucky and what is the estimated dollar loss of those thefts?

Mr. McQuown. About 10,000 vehicles are stolen each year in the State of Kentucky. This is not a true figure. We have some police departments who sharpen their pencil points and they don't report every vehicle they have reported to them as one of their thefts. We have some police departments that wait 24 hours before they will enter a vehicle theft. This is a procedure I believe is happening across the country.

These police departments should stop this practice because if they wait 24 hours to report it, the first police officer who might stop this vehicle is in a great deal of danger. These are not really true figures. I don't think it will ever be an accurate count if police departments don't cooperate.

Senator PERCY. What percentage of stolen vehicles would you estimate end up in chop shops?

Mr. McQuown. We recover about 60 percent of those stolen. That leaves 40 percent and we have 35 or 40 chop shops operating in Kentucky. Half of those vehicles will be chopped up. So you are talking about 2,000 vehicles a year in the State of Kentucky that are chopped.

Senator PERCY. Could you describe how a typical long-line system functions and how these long lines are used by illicit salvage yard operations?

Mr. McQuown. Long lines are really an intercom system connecting as many as 100 salvage yards in seven or eight States. Whenever they need a part in any particular city, all they have to do is contact a salvage yard hooked up to the long line. The intercom system goes out to 100 other participants and some may be legal, and some not.

This is how they dispose of many of these parts. Their roadrunner trucks make the deliveries.

Senator PERCY. Long lines are perfectly legitimate businesses though?

Mr. McQuown. Yes, they are. The trouble is they have been infiltrated.

Senator PERCY. You have stated that you seldom find a vehicle with numbered stolen parts, such as an engine. What do the chop shops and illicit salvage yards do with stolen parts that are numbered?

Mr. McQuown. Engines and transmissions have numbers on them. They will throw them in the river, bury them. On some occasions strip the heads, the carburetors, and so forth, off, and get rid of the block. Most of the time, they want to deal specifically with the sheet metal, rear clips, cabs, doghouses, and pickup beds, so on.

Senator PERCY. What other parts are discarded by choppers?

Mr. McQuown. Are discouraged?

Senator PERCY. Are discarded. What kind don't they want?

Mr. McQuown. They don't want the frame with the numbers on it, they don't want the transmission or engine with numbers on it. Ford pickups were not engine or transmission numbered until 1979, so they really had an open field on those. But the Chevrolet block, they would get rid of or else change the number.

Senator Percy. In other words, motors and transmissions, high value parts, sold for a fraction of their real value because they are numbered?

Mr. McQuown. That's true. In fact, we have sources that had been offered as many as a hundred engines and transmissions connected where all the numbers had been obscured for as low as \$150, if you take them all.

Senator Percy. So selling the engine, a numbered part, would increase the chance of the thief or buyer getting caught? Therefore, the money is to be made in the unnumbered parts?

Mr. McQuown. That's true. We noticed there were more Ford trucks stolen in the State of Kentucky than there were Chevrolets. This is prior to 1979. The reason for this, in my opinion, is because the Ford engine and transmission had no number on it and the Chevrolet or GMC did. They would actually steal more Ford trucks because they got more parts off of it. The salvage dealer buys a vehicle legitimately, half of it is wiped out in a collision. The operator of the chop shop will buy a stolen car from some street thief, for \$200, \$300, \$400, \$500, and he will get the entire car. So legitimate salvage dealers are really at a disadvantage and they would like to see these thieves put out of business.

Senator Percy. Senator Cohen, I am wondering how much time you have. Would you be able to stay on and complete the questioning of our witness?

I would first like to say to you that you have done a really outstanding job from everything I have seen. The service that you have performed, not only in Kentucky in your 22 years of service, but as vice president of the International Association of Auto Theft Investigators is really a great service. I commend you and would like to make public the fact that you trained over 2,500 officers in automobile theft investigations.

I think you have done an outstanding job. Your credibility as a witness for this committee is without question, and I think the recommendations that you made will be very important indeed.

Tomorrow we will begin with testimony from a witness who engaged in chop shop operations in the early 1970's in the Chicago area. He will be followed by a member of the Illinois Department of Law Enforcement who will be questioned about organized crime involvement in Chicago chop shop operations.

Upon recess this afternoon, the hearing will resume at 9:30 tomorrow morning in room 3302. Senator Cohen, I thank you very much, indeed. If you can just continue right on. Thank you.

Senator Cohen. Before I continue the line of questioning Senator Percy was following, I would just like to make an observation. I notice that, in Kentucky, stolen vehicles in most parts tend to be from fairly rural areas. Most of the vehicles you showed in your slides happen to be pickup trucks or some other kind of vehicle we use in the farming operation.

Is it not true most people in a rural setting have a closer identification with their vehicles? I doubt very much the average housewife or maybe the average Senator knows that much about a vehicle that he gets in and drives home from his office. I doubt they would have the kind of identification with that vehicle to know there was a hair in the paint that formed a C at a certain line or notice these other things that take place. So the examples you have shown about personal identification of specific marks are probably more confined to the rural type operation, are they not?

Mr. McQuown. Not necessarily. Most of the owners you saw identifying their vehicles were about 50 percent from the urban area of Louisville and the other part in the outlying areas. Outlying areas are very vulnerable to the thieves because they have a scattered amount of police officers, smaller amount.

A car dealership is easily taken for—

Senator COHEN. How does the rural chop shop operate?

Mr. McQuown. They rent a farm with a barn on it, merely move in and start parting vehicles out, operating 3 or 4 months. If they think someone is suspecting them, they will move out, do the same thing and begin another operation. The one you saw where the investigator maintained surveillance from the cemetery was a rented building.

Most of these have been rented on a temporary basis. They don't want to get on their own property and they also rent them under fictitious names and addresses.

Senator COHEN. I take it most of them are scattered throughout rural areas?

Mr. McQuown. We have 30 to 40 auto theft rings operating throughout our State.

Senator PERCY. Senator Cohen, do you want to slip over and vote. We have so many interruptions with so many votes on. We will go right on through the questioning. Could you tell us what are the most popular locations for Kentucky chop shops?

Mr. McQuown. That doesn't have too much of a bearing on it. We have some operating in the rural areas, warehouses, or in body shops—mostly in salvage yards. We had quite a few operating directly out of salvage yards. Like I previously stated, rented buildings and farms.

Senator PERCY. We talked about confidential identification numbers, could you describe what that is?

Mr. McQuown. Confidential number, CVIN as we refer to it, is a location on the vehicle; that number is supposed to be a hidden number, a secondary number that is put on there for identification purposes for law enforcement personnel. Component parts need these numbers, such as the front end, rear section, the doors. We do need these numbers. They are very helpful.

It eliminates some of these hair in paint and some of these other types of identifications.

Senator PERCY. Do all car manufacturers place confidential numbers on their vehicles?

Mr. McQuown. Most of them. Some of the construction equipment and farm machinery manufacturers do not. We have had meetings with that industry recently to encourage them to place confidential numbers on heavy equipment and farm machinery. We have a lot of equipment thefts in our State; it is a farming State and we lose a lot

of farm tractors. The rate of recovery on a piece of farm or construction equipment is around 5 percent.

Senator PERCY. Let's just assume someone in this business of automobile theft is pretty clever, a farsighted person generally. How do they get around the confidential numbers, how do they learn where they are located?

Mr. McQuown. There are many ways; your previous witness testified he took a vehicle completely apart to find out. Many of them specialized in a particular type of vehicle so they won't be unfamiliar with it. We have people who are involved in theft rings that actually work on the assembly line. As an example, some of the problems we have on an assembly line right in Kentucky, this blank serial plate came from a Kentucky Ford plant. An employee at the local Ford plant will make any number on there you want for a certain dollar figure. He is involved in one of the larger theft rings. This serial plate with the proper numbers on it is worth about \$500. If you have paperwork to go along with it, you are in good shape to retag a stolen vehicle.

There are many VIN plates that were melted as a result of a vehicle fire; that is no problem to them. I have here a Federal certification label that is for a General Motors product obtained through the same informant. These are in abundance. All you need to do is type all the information you need on a Chevrolet or General Motors pickup truck. This is used to change its identity.

These are rosette rivets that came from a large theft ring. We know they have access to assembly line personnel. They have access to having plates reproduced. Evidently, outside of Kentucky they even have access to these Federal safety certification labels. This is a sample VIN plate you can look at. That normally comes from the factory. These are big problems for us.

Senator PERCY. Could you comment on pickup trucks. Do they have numbered motors and transmissions? Has there been any change in the numbering of these in recent years?

Mr. McQuown. In 1979, Ford began putting engine and transmission numbers on their pickups. Chevrolet has been doing it for some time. Pickups are a little different than passenger cars, for personal identification purposes especially. Owners of pickups would drill holes to mount CB's, put gunracks in them, mudflaps, you-name-it, marker lights, what-have-you. These are points of personal identification. They are probably marked as well as passenger cars.

Senator PERCY. You stated that the absence of identifying numbers on stolen parts has made it difficult to obtain arrests and prosecutions. Could you give us an example of the difficulties you have experienced in this area?

Mr. McQuown. Yes; in our State, we have to prove the vehicle is stolen, the person with it, if it has absolutely no numbers, has been obscured and we cannot identify that vehicle, we have to give it back to them. We hope to change legislation that mere possession of a vehicle that has altered numbers is contraband. I think the Federal legislation needs to be strengthened. The mere possession needs to be a violation.

For example, we have statutes in our State saying knowingly receiving stolen property, you have to prove knowingly it was stolen.

Receiving the stolen part is not good without the knowingly part attached to it. Also, on the end of it, it reads for purpose of sale, I suppose if a thief is going to steal it, obscures all the numbers, and keeps it for himself, he is not in violation. We need to change some of these State laws and some of the Federal legislation needs to be changed to cover mere possession of these stolen parts and a stiff penalty for those who obscure and alter.

Senator PERCY. Is it necessary for a person who has had a car stolen to go down to the yard to identify that stolen vehicle?

Mr. McQuown. Only when it has absolutely no numbers on it as in some of the slides I showed you, there were no numbers on the vehicle at all. All we had then was a process of elimination and getting the victim-owner in and making his personal identification. If we had numbers on the component parts, such as the doors, however, I am sure these thieves will know where they are located.

However, if penalties were enacted to prohibit the mere possession of these types of vehicles and parts with obscured numbers, that in itself will be a deterrent for someone to handle, much less ship them down the road.

Senator PERCY. You showed an example of where a human hair imbedded in a truck's paint was adequate for identification. It certainly would seem to be an unusual case. Is it generally difficult for a person to identify their car once it has been stolen, certainly after the chop shop has reduced it to pieces?

Mr. McQuown. Once it is painted, it makes it very difficult. If there are still characteristics they know about on the vehicle, they are helpful. When we have one stolen from a dealer or rental car agency, it's virtually impossible to get a personal identification made on that type of vehicle. Thieves know this and they will try to steal vehicles from car lots and rental agencies.

Senator PERCY. Isn't it unusual for an individual who polishes his own car to notice a human hair?

Mr. McQuown. Yes; it is.

Senator PERCY. How did it get there, probably fell into the paint or enamel at the factory? Remembering something like that hair is adequate evidence, is it not?

Mr. McQuown. It's helpful.

Senator PERCY. But you do need a better tool for identifying stolen cars?

Mr. McQuown. Yes; because there are no numbers, we have to do this.

Senator PERCY. This is a tough and unusual way to get a conviction.

Mr. McQuown. Yes.

Senator PERCY. What sentence does the convicted chop shop operator usually receive?

Mr. McQuown. The last one we prosecuted in late September, a quarter million dollar ring, vehicles that we identified only, this is not counting the vehicles they got rid of before we raided the lot, he got 3 years on each one of the 13 counts to run with the same 3-year period.

He will probably be out in less than a year. Courts are apathetic, juries are apathetic. On many occasions, witnesses are apathetic after their insurance claims have been settled.

Senator PERCY. It has been suggested that the plates that you have submitted to us, rivets and so forth, be made exhibits for the record. We can photograph them if you need them back—you do not need them back?

Mr. McQUOWN. I do not need them back.

Senator PERCY. These will be made exhibits and we appreciate it very much indeed.

[The documents referred to were marked "Exhibit Nos. 12, 13, 14, and 15," for reference. Exhibits 13 and 15 may be found in the files of the subcommittee; exhibits 12 and 14 follow:]

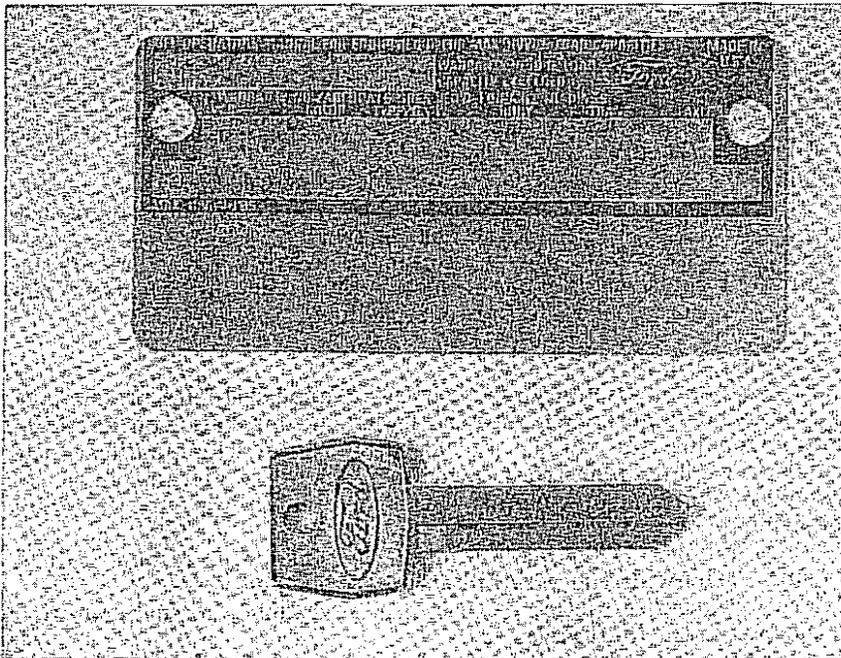
EXHIBIT No. 12



Manufactured by GENERAL MOTORS CORPORATION

THIS VEHICLE CONFORMS TO ALL APPLICABLE FEDERAL MOTOR VEHICLE SAFETY STANDARDS

EXHIBIT No. 14



Ford Motor Company vehicle identification plate.

Senator PERCY. Could you tell us what happened to the stolen vehicles and parts in the yard you were talking about? The operators and thieves in this case were convicted.

Mr. McQUOWN. Well, the parts we identified were held in storage. Such a period of time was involved that the storage ate up the value of what was remaining. This is also the problem for the victims. Some did not have insurance, whereby they accepted the whole loss, even of what we did recover storage costs ate it up.

The defense attorney in one case insisted the evidence be retained in case the jury wanted to look at it. So in that particular case, storage amounted to more than the value of what we recovered.

Senator PERCY. I have 5 minutes to vote so I will leave.

Thank you very much, Senator.

Senator COHEN, if you will assume the Chair, please.

[The letter follows:]

U.S. SENATE,  
COMMITTEE ON GOVERNMENTAL AFFAIRS,  
SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,  
Washington, D.C.

Pursuant to Rule 5 of the Rules of Procedure of the Senate Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, permission is hereby granted for the Chairman, or any member of the Subcommittee as designated by the Chairman, to conduct open and/or executive hearings without a quorum of two members for the administration of oaths and taking of testimony in connection with Professional Auto Theft and Chop Shop operations on Tuesday, November 27, 1970.

SAM NUNN, Chairman.  
CHARLES H. PERCY,  
Ranking Minority Member.

Senator COHEN [presiding]. Lieutenant, how much are the vehicles and parts worth?

Mr. McQUOWN. That we recovered? A pickup truck cab, some of those you saw, anywhere from \$650 to about \$800, and the rear clip section, anywhere about the same price. On a late model Lincoln, Lincoln Mark V, it will go anywhere from \$2,000 to \$2,500. The new Lincoln Versaille we apprehended last week, that front clip section will be worth about \$2,300, \$2,400.

Senator COHEN. Were these cars or vehicles insured?

Mr. McQUOWN. Some were and some were not. The ones we got last week, I can only assume—I know one of them was.

Senator COHEN. I think you also mentioned that about half of the organized vehicles theft rings in Kentucky are chopping cars. What are the other activities dealers are engaged in?

Mr. McQUOWN. Retagging.

Senator COHEN. Retagging?

Mr. McQUOWN. Retagging, identities change, vehicles are salvage switched and it goes back into the legitimate market. You have the victim who lost the vehicle and also the victim who purchases the vehicle if we later identify it. Sometimes it's a two victim crime.

Senator COHEN. How lucrative are these chopping and retagging operations?

Mr. McQUOWN. They are million-dollar businesses in our State. I am sure nationwide they are billion-dollar businesses.

Senator COHEN. Practically, there is no investment, as such, required on the part of the theft ring.

Mr. McQuown. Only if they operate on large scale and they have to hire juveniles, street thieves who go out and steal for them two or three hundred dollars. Generally if they bring a car back with a scratch or dent on it, they get chewed out right well or they knock the price down. They steal creampuff vehicles.

Senator COHEN. This morning I raised the question of the advisability of allowing insurance companies to simply sell these vehicles for salvage value without removing the vehicle identification number tags. Why do you think the insurance companies permit a totally wrecked vehicle to be auctioned as salvage?

Mr. McQuown. These slides we've just seen I showed to the Illinois secretary of state and the Midwest Task Force formed by Secretary of State Alan Dixon, recently. State Farm Insurance and the All-State Insurance Co. announced at the last meeting in Springfield, Ill., that they were censuring the practice of selling what they considered a junker vehicle.

There are three types of titles in the State of Illinois, a regular title, a salvage title, and junker title. A junker title is a death certificate. They cannot be reprocessed, relicensed, or retitled; hopefully they will quit selling them. They have found out once they issue a junker title instead of a salvage title the value of that vehicle will normally drop several hundred dollars. So this in itself tells them that they were selling a vehicle destined to be either retagged or go into a chop operation.

Senator COHEN. In other words, when they sell it for salvage value, they get a higher price than the retaggers?

Mr. McQuown. Yes, if it has the papers. It will bring more money, especially if it is a Corvette, a pickup, a Trans-Am; if it has all the documents, license plate, the VIN plate, and the title it will bring more money. I am glad you brought up the question of removing the VIN plate. Unless you remove the VIN plate in every State on every salvage vehicle, then you are not going to stop the problem.

I would prefer to go into the salvage yard and see every salvage vehicle with every VIN plate intact than walk in and see 500 vehicles with no VIN plates.

In the middle of the legitimate salvage would be a mixture of stolen vehicles. You would never know it until you go to the confidential number. I prefer going into the salvage yard and see the VIN plates. Unless every State removes them, unless every number is recorded in the computer and then inquired on before it is issued a new title, then that will not work out.

Senator COHEN. Don't the insurance companies know vehicles really can't be legitimately rebuilt and thus are simply acting in complicity with the retagging operation?

Mr. McQuown. I think in a sense they subsidize auto theft. I really do. We had one case in particular where they sold a totaled-out vehicle. It was licensed and insured and reported stolen again and never left the salvage yard and the same insurance company insured it the second time and paid on it twice, once for total accident and once for total theft.

Senator COHEN. Assume that were corrected, that they were forced in some fashion to sell wrecks as junk rather than salvage. I assume

further that the insurance companies would simply be getting a lower price and would increase the premiums to cover the lower cost. In the end the insurance companies are still going to, I guess, spread the risk around.

Mr. McQuown. They should benefit if they quit selling some of the salvage.

Senator COHEN. What changes in Kentucky State law or Federal law would be useful for making it difficult for the illegitimate retag operation to operate?

Mr. McQuown. Like I said, the mere possession should be a violation in itself. A vehicle or parts with an obscured identity should be declared contraband. Penalties should be much stiffer for obscuring these numbers. We have a problem, really, when it relates to another State. As an example, the last slides I showed you, a vehicle stolen in northern Ohio was chopped and was being shipped down to the Tennessee and Mississippi State line. Now we have another problem. We don't have a statute for possession of stolen property in our State. It is termed "knowingly receiving stolen property." We can't charge this individual with the theft of it because I am sure, he didn't steal it. He bought it from someone else. This goes back to: Does Ohio have jurisdiction? Does Kentucky have jurisdiction? Or does the Federal Government have jurisdiction. By the time someone makes up their mind, 3 months have gone by and you don't get any prosecution.

Senator COHEN. You also indicated during your testimony, during the slide presentation, even if you managed to break this operation, the suspects, when convicted, got consecutive terms of 1 year?

Mr. McQuown. Three.

Senator COHEN. Three years?

Mr. McQuown. Three consecutive. No, they run together.

Senator COHEN. Concurrently?

Mr. McQuown. Concurrent, yes.

Senator COHEN. They are serving 3-year terms.

Mr. McQuown. They will probably be out in a few months. This is somewhat unusual. I'd like to point out something about this case. I have encouraged every insurance company to sue these people for their loss. We are talking about chopped vehicles, one valued at \$38,000. Not the first insurance company has expressed an interest in filing a lawsuit. These people we convicted are wealthy. They own a lot of property. If they don't sue and recover some of the loss, your insurance rates and my insurance rates are going up.

I think the insurance companies ought to buckle up a bit and I will be glad to be a witness for these insurance companies—

Senator COHEN. But it can't be considered much of a deterrent to anyone engaged on an organized level and with the amount of money we are talking about, if they are going to get a 3-year sentence—

Mr. McQuown. Quarter of a million dollars in stolen vehicles.

Senator COHEN. And be out in 3 months.

Mr. McQuown. It is not much of a deterrent and it is a lucrative business.

Senator COHEN. Can you tell us about the screaming eagle program.

Mr. McQuown. We started the screaming eagle auto theft incentive program in 1975 in the State of Kentucky to try to tackle the problem

of organized auto theft. In 1974, for example, we had 1,030 vehicles recovered by officers of the Kentucky State Police Department. We hoped for a 50-percent increase in about 5 years. The very first year we had a 50-percent increase in recoveries.

The independent insurance agents of Kentucky sponsored our program. They pay for the awards that these officers receive, anywhere from a \$1,500 vacation, on down to handguns; we motivated our personnel in the State Police of Kentucky to the point where we doubled our recoveries and tripled our arrests and some of our men will literally run over you to get a stolen car.

Senator COHEN. In summing up the present auto theft situation, can you tell us what the most effective steps are that can be taken to curb the problem?

Mr. McQUOWN. Yes. I know legislation won't solve all the problems. The manufacturers have to cooperate, insurance companies have to cooperate.

Senator COHEN. Let me stop you. I think you indicated before that if you have an identification number on the engine or motor, it is unlikely to be transferred because of the ease in detection; correct?

Mr. McQUOWN. Right.

Senator COHEN. How difficult is it to stamp that identification number on other parts?

Mr. McQUOWN. Well, I can give you an example. In one assembly plant we went through, one man was responsible for placing two numbers on the frame. He sat down in the chair, stood up and within a few seconds applied two numbers and waited 3 or 4 minutes for the next frame to come along.

He could be stamping 50 numbers if he wanted to or someone instructed him to do so. I know very well it doesn't cost them a dollar to put each number on there.

I think they should be concerned about the consumer more than they are today. I think they ought to put more numbers on them; we need them.

Senator COHEN. In your judgment, the use of more numbers, even though they could be removed, would be a disincentive, at least, for the thieves to try and dispose of that particular part of the vehicle.

Mr. McQUOWN. That's true.

Senator COHEN. In addition to manufacturer cooperation, you are talking about marking with vehicle identification numbers.

Mr. McQUOWN. Also VIN plate security.

Senator COHEN. The confidential marks aren't that successful, according to your testimony.

Mr. McQUOWN. They are much needed; they are necessary.

We need more of them, but we don't rely just on the numbers alone, when all the numbers are obscured, we have to go to other means. The security in the manufacturing plants, of Federal certification stickers, rosette rivets, blank VIN plates, the machine itself where they restamp numbers is a security problem. And the manufacturer is going to have to tighten it up.

Senator COHEN. In addition to the manufacturer's effort, what else?

Mr. McQUOWN. The insurance company is going to have to quit selling some of this unrebuildable total junk salvage and take pos-

session of the title, surrender it to the State it has been titled in and junked out, that serial number should be dead, should be flagged, should never be retitled again. This only stops it in one State. If that number is available or that document with that vehicle, such as the Kentucky registration certificates are shipped out to Illinois, nothing on a Kentucky document shows it is a salvage vehicle.

You can report it stolen, collect insurance on it if you want to. We have many problems in our own State that have to be corrected. Salvage laws need to be enacted much stronger. We have theft rings chopping today; they never heard of the word 5 year ago.

Legislation we are dealing with was passed 15, 20 years ago. We need some changes.

Senator COHEN. Of course the insurance industry is regulated at the State level rather than at the Federal, so each State would have to, in turn, set the rules by which the companies cooperate.

Mr. McQuown. Yes; I think the insurance companies themselves are going to have to tighten up their program as well—what they are regulated to do in a State, they should go one step further as State Farm and Allstate said and said they are going to stop issuing negotiable titles to what they call junkers. They need to do more of it in other States.

Senator COHEN. I guess that is all we have, Lieutenant. Thank you very much for your testimony. The committee will stand recessed until tomorrow morning at 9:30 in room 3302.

[Whereupon, at 2:37 p.m., the subcommittee recessed, to reconvene Wednesday, November 29, 1979.]

[Members of the subcommittee present at the time of recess: Senator Cohen.]

## PROFESSIONAL MOTOR VEHICLE THEFT AND CHOP SHOPS

TUESDAY, NOVEMBER 28, 1979

U.S. SENATE,  
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS  
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS,  
*Washington, D.C.*

The subcommittee met at 9:35 a.m., pursuant to recess, in room 3302, Dirksen Senate Office Building, Hon. Sam Nunn (chairman of the subcommittee) presiding.

Members present: Senators Nunn, Percy, Javits, and Cohen.

Members of the professional staff present: Bill Goodwin, staff director; Jerry Block, chief counsel to the minority; Charles Berk, general counsel to the minority; Howard Marks and Richard Shapiro, investigators to the minority; Lynn Lerish, executive assistant to the minority; Stephanie Grill, Bill Mayer, Marie Earl, Sue Morgan, Jane Aiken, and Adele Linkenhoker, staff assistants to the minority; Myra Crase, chief clerk; Mary Donohue, assistant clerk.

[Members present at time of convening: Senator Percy.]

Senator Percy [presiding]. The hearing will come to order.

Yesterday we all saw why motor vehicle theft increased 12 percent for the first 6 months of 1979. A former thief, who has been in prison for almost a year and a half, was able to break into and start up realistic mockups of 1978 and 1979 model cars in a period of time that ranged from about 3 minutes, when he experienced difficulty, to 30 seconds using a tool he had not seen until the previous day.

We also saw a slide presentation by a top law enforcement officer from Kentucky who explained that once a car or pickup is stolen, its valuable sheet metal parts are easily fenced on the illicit market.

The absence of identification numbers in stolen parts severely limits the ability of the police to prove that a crime has been committed. The officer explained that the only way he was able to convict chop shop and retag artists was to employ Sherlock Holmes techniques such as detecting human hairs stuck in the paint, scratches left by the paws of a cat, and indentations caused by hail.

Obviously, facing minimal risks and the prospect of easy profits, it was inevitable that organized crime would begin to infiltrate chop shop operations. Today, we will hear from someone who had first-hand experience with organized crime in Chicago, and who almost lost his life because of it.

We will call our first witness this morning.

Before we begin would you rise, please?

Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. JAROSZEWSKI. I do.

Mr. MURTHA. I do.

TESTIMONY OF ALEX JAROSZEWSKI, ACCOMPANIED BY FRANCIS J. MURTHA, JR., ESQUIRE, CHICAGO, ILL.

Senator PERCY. I want to advise you of your rights and obligations as a witness before this subcommittee.

First, you have the right not to provide any testimony or any information which may tend to incriminate you. If you do so testify, anything you say here may be used against you in any other legal proceeding.

Second, you have the right to consult with your attorney prior to answering any question or questions.

Third, under the Rules of Procedure of the Permanent Subcommittee on Investigation, your attorney may be present during this testimony.

Do you understand that you have a right to have an attorney here?

Mr. JAROSZEWSKI. Yes.

Senator PERCY. As I have indicated, in addition to your rights as a witness, you also have an obligation while testifying before this subcommittee. You have sworn to testify truthfully. If you so testify, you are obligated to provide truthful responses so as not to subject yourself to the laws and penalties regarding perjury.

Do you understand your rights and obligations as a witness?

Mr. JAROSZEWSKI. Yes; I do.

Senator PERCY. And would you please identify yourself and also identify your attorney?

Mr. JAROSZEWSKI. I am Alex Jaroszewski. This is my attorney, Frank Murtha.

Senator PERCY. Could you further identify yourself as an attorney and I understand you do have a statement you will read following our principal witness?

Mr. MURTHA. Yes. Frank Murtha, 120 South LaSalle Street, Chicago, Ill.

Senator PERCY. I think it will be necessary, because of the hood, to come as close as you possibly can to the microphone. Your voice is muffled enough and we want to have your statement as clearly understood as possible.

We will, first, distribute copies of the statement. Everyone will have a copy of your statement, so they can follow. At this time, if you would just simply proceed with your statement.

I do wish to express appreciation for your presence here today. It may be particularly helpful in resolving some of the problems that we have already focused upon in this field.

Thank you.

Mr. JAROSZEWSKI. Thank you.

Alex Jaroszewski is my name given to me at birth. However, I assumed a new identity 7 years ago when I agreed to testify in open court against several organized crime figures in Chicago in exchange

for immediate placement in the Federal witness protection program. I testified against four individuals intimately involved in Chicago chop shop operations, and organized crime activities, who were subsequently convicted of interstate transportation of a stolen motor vehicle.

I first became involved in a chop shop operation in 1970 when I was 29 years old. I was working as a driver for a Chicago bakery making \$10,000 a year and having trouble supporting my wife and three children. My brother-in-law, Eugene Spencer, was also finding it hard to make ends meet. We both agreed it was time to make major changes in our lives, so we started looking for promising business opportunities.

Gene and I knew Steve Ostrowsky, the co-owner of South Chicago Auto Parts—a large salvage yard on the far South Side of Chicago. I learned that South Chicago dealt primarily in stolen automobile body parts. Since we knew Ostrowsky was making a small fortune in the stolen parts business, we decided to find out whether he could use a few more hands. I had never been involved in criminal activities and was initially hesitant about approaching Ostrowsky. However, auto theft seemed to be a nonviolent crime which only hurt the insurance companies, and not the average citizen. So I decided to sit down with Ostrowsky and hear what he had to say.

Gene and I met with Ostrowsky and he explained his operation to us. He said that if a salvage yard does not have in inventory a specific part requested by a repair shop, it requests the part over the long lines—private party telephone lines by which salvage yards communicate nationwide.

If an expensive part, like a late model Cadillac front end were requested, Ostrowsky would announce over the lines that he had the part in stock. He would then agree upon a price and arrange for delivery.

Ostrowsky told us that in addition to salvage yards, local auto repair shops as well as auto repair shops from as far away as Pennsylvania, Missouri, and Tennessee, would regularly request body parts from him. Each day, he and his partner, Harry Holzer, would compile a list of the parts they needed and at the end of each work day they would give their auto thieves a list of cars which were to be stolen that evening.

Ostrowsky said he paid his thieves \$100 to steal and deliver a whole car and \$500 if the car was delivered dismantled. South Chicago would then deliver the stolen auto parts to various body repair shops and salvage yards throughout the Midwest.

Ostrowsky said we could easily steal and chop a car a day and earn \$250 apiece each day we worked. He said he would personally teach us how to steal cars and send over a chop shop expert who would demonstrate how to dismantle them. He also promised to loan us money to buy our equipment and rent a garage to dismantle our stolen cars.

The prospect of making around \$50,000 a year, or five times my salary at the time, was hard to resist. Gene and I decided that chop shops were just the type of business we were looking for.

Ostrowsky told us to come down to his salvage yard the next day so that he could show us the tools we would need to buy. We bought our auto theft tools at Sears on East 79th Street in Chicago.

That night, Ostrowsky took us out and showed us how to steal a car. After a few days of practice we knew how to easily steal almost any car. Ostrowsky told us to find a garage where we could set up our chop shop. We followed his instructions and rented a garage in Markham, Ill., a south suburb of Chicago.

Next, we bought the equipment we would need to dismantle the stolen cars. Ostrowsky then sent over one of his chop shop operators, Richie Zink, to teach us how to chop a car. We were ready for business.

During our first 6 months in the chop shop business, Gene and I stole and chopped over 100 cars. Besides us, Ostrowsky and Holzer had another six chop shops supplying their yard with stolen parts. Judging from our volume, I would estimate that the parts from over 1,000 stolen late model cars were distributed through South Chicago Auto Parts in my first year on the job.

On August 5, 1971, the police raided our shop while we were chopping a freshly stolen Cadillac. As a result, our operation was closed down, and I was charged with the first serious criminal offense of my life. Gene and I kept receiving postponements and the case never came to trial.

After losing our shop, Gene decided to take the thousands of dollars he had accumulated in our 6 months of operation and open a legitimate business. I, on the other hand, didn't believe there was a business in existence which had as large a profit potential and as few legal risks as chop shop. Consequently, I eagerly struck a deal with Ostrowsky to go into a partnership in a stolen parts operation. Instead of fencing parts at the salvage yard and emphasizing volume, we decided to distribute the parts ourselves and attempt to increase the profit made on each stolen car.

We were able to increase our profits by dealing primarily with "body switch" operators instead of body repair shops or salvage yards. Repair shops and salvage yards only purchase a part or two to repair a car partially damaged in an accident. However, a body switch operator is interested in purchasing all the body parts of a car.

A body switch works in the following way: The operator will go to insurance company auctions and purchase wrecked cars.

These cars usually have undamaged frames, engines, and transmissions. However, the body on the car is badly damaged. The only cost-efficient way of rebuilding such a severely wrecked car is to replace the damaged parts with stolen parts.

We made our money in this kind of operation by stealing a car identical in make and model to the wrecked car purchased by the body switch operator and delivering all the body parts and the interior to him. The operator would then place the stolen body parts on the legitimate frame and sell the car to some unsuspecting consumer. We would sell these parts as a package for as much as \$3,000 a car.

Ostrowsky and I would split this sum, which meant that instead of receiving \$250 for each car I chopped, I was making around \$1,500 per car.

After a while one of the biggest challenges in my life was making sure I spent all the money I made. It wasn't easy, but I was always successful. I spent thousands of dollars weekly just on entertainment. For example, Ostrowsky and I began frequenting the Playhoy Club

in Lake Geneva, Wis., on weekends. We took flying lessons and eventually bought a Piper 4-seater, luxury airplane so we could take our friends on trips. We were not in the slightest bit concerned that we did not have pilots' licenses; after all, abiding by the law was hardly the way we led our lives.

I first learned about organized crime's involvement in the chop shop operations in the spring of 1971. Ostrowsky told me that he and Billy Dauber, another salvage yard owner who distributed a high volume of stolen parts in Chicago, Indiana, Kentucky, and Florida, managed the chop shop operations in the Chicago area for Jimmy Catuara, the organized crime boss of Chicago's South Side. Ostrowsky added that he and Dauber were also enforcers for Catuara. I found out first hand that Ostrowsky was telling the truth.

Twice I was asked to chop the cars belonging to organized crime figures who, according to Ostrowsky, had been murdered by he and Dauber. On another occasion, I was instructed to be the wheel man for an organized crime hit in which Ostrowsky was to gun down an alleged informant.

My increasing involvement in the violent world of organized crime led me to seriously question my own safety. I realized that if I remained involved in the chop shop operations I would probably become directly involved in violence.

I also realized that it would be extremely difficult to walk away from the chop shop operations if I knew details which could lead to the prosecution of influential figures. Fortunately, my dilemma resolved itself. On September 21, 1972, FBI agents and an Assistant U.S. Attorney proved to me that Ostrowsky intended to murder me that very evening. They recommended I cooperate with them in exchange for placement in the Federal witness protection program which would provide me with a new identity and relocate me away from Chicago. It was an offer I could not refuse.

I testified in Chicago Federal Court in 1973 against four organized crime figures, including Steve Ostrowsky and Billy Dauber. All four were convicted and imprisoned.

I have chosen to testify today for three primary reasons: First, I want the Congress and the American public to realize how much money auto thieves are making and how much money their thefts are costing the consumer. In addition, I want the Congress and the public to realize that organized crime is probably one of the largest causes and benefactors of professional auto theft. And third, I want an opportunity to make the country aware that we cannot afford to look upon organized crime as a romantic adventure best suited for popular entertainment. It's a real organization. It demands loyalty ahead of all other values. And in the name of profit, it murders people to minimize risk and maximize profit. If I can demonstrate these points, I will leave this hearing room confident that the risks I am taking in testifying publicly today have been well worthwhile.

Thank you.

Senator PERCY. Thank you very much. And I understand your attorney has a brief statement.

Mr. MURPHY. Yes, Senator.

Senator PERCY. Pleased to have you with us.

Mr. MURTHA. Honorable members of the committee, counsel, staff, and other personnel, I am Francis J. Murtha, Jr., 120 South LaSalle, Chicago, Ill., and I presently practice law in Chicago, Ill. I will give a brief description of my personal background and then will begin my remarks.

I am a graduate of the University of Notre Dame where I received a degree in government and international relations in 1966. I graduated from Northwestern University Law School in 1969 after participating in several Ford Foundation projects directed to the study of criminal law and related subjects.

Subsequent to my graduation from law school, I was appointed an assistant U.S. attorney for the northern district of Illinois. This appointment was made at the recommendation of now sitting U.S. Court of Appeals Judge William J. Bauer, who was then U.S. attorney, and James R. Thompson, presently the Governor of the State of Illinois, who was then first assistant U.S. attorney.

During my employment as the assistant U.S. attorney, I was assigned to the special investigations division and in that capacity I had occasion to investigate and prosecute several cases related to what is commonly known as organized crime.

Among those investigations, and as a result of another case, I had occasion to present to a Federal grand jury matters relating to the theft of automobiles by individuals located in the northern district of Illinois and elsewhere, and specifically a case which resulted in the indictment of William Earl Dauber, Steven Ostrowsky, Jack Schnadenberg, and Joseph Marek. This case chronologically followed two indictments in which Mr. Dauber and one James Catuara were named as defendants. These latter cases charged Dauber and Catuara with mail fraud involving an advance fee loan fraud scheme and Catuara was charged individually with possessing a stolen automobile which had been rebuilt for him by Mr. Dauber and Mr. Ostrowsky. As I believe the committee will hear, Mr. Jaroszewski put it together for him.

Mr. Catuara at the time, that is 1973, was generally acknowledged by the Department of Justice and all appropriate investigative agencies, as a high ranking member of organized crime in Chicago. Among the illicit enterprises over which he exercised control and dominion was the theft of automobiles, more specifically, the chopping of the autos in shops operated by associates of Catuara.

In connection with the conduct of the chop shop investigations which were, in major part, conducted by the Federal Bureau of Investigation, I became aware of Alex Jaroszewski. Because of the outstanding investigative effort by the FBI agent then assigned to my investigation, Michael Balgley, Mr. Jaroszewski became available as a witness for the Government.

He had, as the committee shall hear later, agreed to testify against Messrs. Dauber and Catuara, et al., with respect to their involvement in stolen car operations in northern Illinois and northern Indiana. Mr. Jaroszewski had been deeply involved in the theft and chopping of automobiles, particularly in association with Steven Ostrowsky.

His testimony, in conjunction with that of others, led to the conviction of Messrs. Dauber, Ostrowsky, Marek, and Schnadenberg in

March of 1978 in Federal court in Chicago. In addition, he provided invaluable information to the FBI, relative to stolen car operations. He also provided information and testimony which led to the tax evasion conviction of another individual associated with the stolen car industry in Chicago.

In my experience as a Federal prosecutor in Chicago I found the theft of automobiles to be a pervasive and lucrative criminal enterprise. In addition, with certain exceptions, I found it to be relatively risk free, from the standpoint of the criminal. In Chicago, because of the activity of Mr. Dauber and others, we have a structured and organized criminal enterprise which is removing from commerce literally hundreds of automobiles on a monthly basis. There has, as other testimony will show, been a correspondingly fierce removal of human beings in connection with an apparent struggle for the control of operations in the Chicago area.

I am available for any further questions which members of the committee may have.

[At this point Senator Javits withdrew from the hearing room.]

Senator PERCY. I want to thank you very much indeed.

Senator Javits has other commitments. He did want to stop by.

We have had a longstanding rivalry between New York and Chicago—we even carried it on in the Peoples Republic of China—to prove which city was the more solvent, run the best, and so forth.

I would have to say, though, in looking at the statistics, New York has shown greater progress in auto theft. Even though thefts continue at a very high level, 119,000 thefts in 1978, New York has reduced auto thefts by 10.78 percent as against the reduction in Illinois of only 3.3 percent. And, we have increases in the cities of Decatur, 18 percent; Rockford, 31 percent; and our capital, Springfield, 29.8 percent in 1978 against 1977. The capital of New York, Albany, has reduced its theft rate by 2 percent, so auto theft there is on the downward trend.

We ought to find out what New York is doing that we are not doing in Chicago. This is the one area I would yield to New York and say they seem to be doing a better job than we are.

Certainly organized crime, from our evidence, has moved in in New York as well as in Chicago. Again, I wish to thank both of you for being here. You can be of immense help to this committee in providing legislative guidance as to what we can do about this problem.

Mr. JAROSZEWSKI, I think, we will just start right in with your relationship with Steve Ostrowsky. How did you meet Steve Ostrowsky, first?

Mr. JAROSZEWSKI. My first contact with Steve Ostrowsky was through my brother-in-law, Eugene Spencer. We had a little group of motorcycle riders that got together on Sundays and Steve was also a motorcycle rider. That's how we became aware of him in the summer.

Senator PERCY. How openly did you discuss with him his chop shop business?

Mr. JAROSZEWSKI. It was a bragging situation as to what he did and how much money he made at it.

Senator PERCY. You mentioned in your statement the long lines as a major means of communication used by salvage yards. To your

knowledge, how many lines did South Chicago Auto Parts subscribe to, and with how many States was the yard in contact?

Mr. JAROSZEWSKI. South Chicago Auto Parts used three long lines in their business, and covered a dozen States in the Midwest.

Senator PERCY. What percent of the parts sold by South Chicago Auto Parts were stolen?

Mr. JAROSZEWSKI. I would say 99 percent of the cars out of South Chicago.

Senator PERCY. Ninety-nine percent?

Mr. JAROSZEWSKI. That's correct.

Senator PERCY. That's almost as pure as Ivory soap then. What percent of these stolen parts were sold over the long lines?

Mr. JAROSZEWSKI. It's very difficult for me to break down the exact percentages, but I would say possibly 25 percent over the long lines, 75 percent otherwise.

Senator PERCY. What percent of the stolen parts were sold to local customers, and what percent were sold to out-of-town customers?

Mr. JAROSZEWSKI. There, again, I would estimate that it was probably a bigger sale, say 60, 70 percent in town and the difference out of town.

Senator PERCY. How did South Chicago Auto Parts deliver the parts?

Mr. JAROSZEWSKI. Pardon?

Senator PERCY. How did they deliver the parts, by what means of transportation?

Mr. JAROSZEWSKI. These parts were all delivered by truck.

Senator PERCY. Did Ostrowsky and Holzer maintain an inventory of stolen parts, or did they always steal the parts on order?

Mr. JAROSZEWSKI. They tried to maintain a certain amount of inventory, and probably had a couple hundred front ends in stock at all times. Most of the time, it was by order.

Senator PERCY. Money appears to have been a major factor behind your desire to enter the chop shop business; it was easy to come by with relatively little risk. Did you have any major reservations, however, about becoming involved in a criminal activity?

Mr. JAROSZEWSKI. The major problem I had in making my decision was naturally being arrested and put in jail.

Senator PERCY. Why did you finally put aside your reservations and go to work for Ostrowsky?

Mr. JAROSZEWSKI. Those reservations were put aside by Ostrowsky in our first meeting. He indicated that he had been in the business for 10 years and had never been arrested. He also indicated that the judicial process in the Chicago area was, you get caught the first time, you get a slap on the hand; the second time you might get probation; and not until that point in time were you seriously going to have any problems about being put in jail.

Senator PERCY. Did Ostrowsky instruct you to buy any tools and, if so, what type?

Mr. JAROSZEWSKI. When we decided to go into the chop shop business, he indicated we should come down and visit with him and he would show us what we needed. The tools that we purchased through his instructions all were bought at a Sears store, and those were a nail

puller, screwdrivers, needle-nose pliers, and a dent puller. This is basically all he said we needed to steal a car.

Senator PERCY. How much did the tools cost at Sears?

Mr. JAROSZEWSKI. Cost factor was minimal. It wasn't \$50.

Senator PERCY. Less than \$50?

Mr. JAROSZEWSKI. Less than \$50.

Senator PERCY. In your statement, you said Ostrowsky taught you and your brother-in-law how to steal. Could you explain for us what happened the first night you went out with Ostrowsky?

Mr. JAROSZEWSKI. Ostrowsky took Eugene Spencer and myself out the first night looking for a Buick Riviera. We located one in the South Chicago area. We drove up past the car, Ostrowsky got out, pulled the door lock on the car, replaced that door lock with a dummy, and we drove on down the street approximately a block or two away.

At that time, we pulled over to the curb and he proceeded to take the lock apart. He indicated at this time that all General Motors cars were easier to just match a key to the door lock and this is what he was going to do, and he peeled the lock open. He read the tumblers and he had a key machine with him which he punched out a key to fit the lock.

We then returned to the Buick, he got out of our car, got into the Buick and started it, and we left in a second.

Senator PERCY. Did it surprise you that Ostrowsky started to teach you the tricks of the trade, started to take you into his confidence, and discuss so freely with you his criminal activities on a rather limited acquaintanceship?

How did he know that you would not, in some sense, turn against him? Did he question you, did he warn you, did he tell you what the consequences may be?

Mr. JAROSZEWSKI. I think Ostrowsky was just a flamboyant individual and felt very secure in what he was doing and felt that we were no problem for him at any time.

Senator PERCY. But a normal company goes through, it would seem a more exhaustive analysis of the past work records of someone, to determine that they are honest and reliable, and so forth. Here you were, a couple of fellows who had been straight all your lives, suddenly he was taking you into a very complex, high-profit business on faith. Why did he have the faith that you would stick with him, that you wouldn't turn against him?

Mr. JAROSZEWSKI. All I can say to that is he knew us a little bit from our motorcycle situation. He felt that we could make money at it, which we were looking for, and by the same token, his profits would increase.

Senator PERCY. In other words, all he had to determine was that you needed money, you were dissatisfied with your present way of life. Did you explain to him that your expenses were accumulating and were greater than you were able to earn in your present capacity?

Mr. JAROSZEWSKI. Well, we indicated to him also at that time that we were both married, I had three children, was making \$10,000 a year. I didn't see myself being able to afford my family and didn't see any future in what I was doing.

Senator PERCY. To what extent did he give you instructions?

Did he start right out instructing you to cut a key for all the cars you stole, or did he suggest other techniques that could be used? And did you find his assessment of the ease with which you could steal General Motors, Ford products, to be accurate?

Mr. JAROSZEWSKI. Yes; I found his evaluation accurate, and it worked as smooth as silk. He indicated to us that General Motors cars, because the locks were difficult to use a dent puller to pull them out of the column, were easier to match the door locks and cut a key. The Ford products had a very easy lock to pull out of the column with a dent puller. You didn't have to go through the process of pulling door locks. So that was the situation on Ford products.

It was strictly use a dent puller there and a key machine on General Motors.

Senator PERCY. How many times did Ostrowsky take you out with him in this training program?

Mr. JAROSZEWSKI. We went out a couple of nights together. The first night he did all the work; the second night he let us do it. The afternoons of those days, of the second day, we sat at South Chicago Auto Parts practicing on locks that have come out of doors in the yard. Taking them apart, reading the tumblers, and cutting the keys.

Senator PERCY. Was he obviously pleased with your learning capability?

Mr. JAROSZEWSKI. It amazed me also. It was a lot easier than I thought it was going to be. I don't think it surprised him, but it sure did surprise me.

Senator PERCY. How long did it take you to actually feel proficient in the job?

Mr. JAROSZEWSKI. After a few days on the street, it was just like home, just very easy.

Senator PERCY. How did that compare with the length of time it took you to perform well in your other job, your job that only paid \$10,000 a year, when you were fully trained?

Mr. JAROSZEWSKI. There was a training program when I worked, prior to getting into this, and it took me some time where this was just a matter of a couple of days and I was proficient at what I was doing, as far as stealing cars.

Senator PERCY. After you learned how to steal rather quickly, what was the next suggestion that Ostrowsky made to you?

Mr. JAROSZEWSKI. After we worked a few days in stealing cars, he indicated to us that it was time for us now to look for a garage, for us to start chopping cars. We asked him what we should look for. He indicated that we needed a garage big enough to work on a car comfortably, a garage with a high ceiling in it, and large overhead doors so we could back a large truck into the garage.

Senator PERCY. How long did it take you to find a garage which fits the specifications that he had outlined to you?

Mr. JAROSZEWSKI. Within a week's time we had a garage located. We took Steve over to it, showed it to him. We agreed it was an ideal location and a good garage. So that's the garage that we rented.

Senator PERCY. For the record, can you recall the exact address of the garage?

Mr. JAROSZEWSKI. I believe it was 2858 West 159th Street.

Senator PERCY. In Markham?

Mr. JAROSZEWSKI. In Markham.

Senator PERCY. How did you know which tools you needed to buy to dismantle a car?

Mr. JAROSZEWSKI. After we had leased the garage, Ostrowsky sat down with us, told us that now that we were at this point, he would give us a professional chop shop operator that would come out and work with us, show us what tools we needed, so he introduced us to Richard Zink. Zink told us that we needed—

Senator PERCY. Was Zink an employee of Ostrowsky?

Mr. JAROSZEWSKI. Yes; he was working as a yardman during the day at South Chicago Auto Parts, and at night would chop cars. He told us we would need acetylene torches, jacks, small handtools, a chain hoist, and that's basically the area that we were dealing with in tools, on which Ostrowsky advanced us the money on the tools and he also advanced the money to us for the leasing of the garage to get us started in the chop shop business.

Senator PERCY. Do you know where Zink is today?

Mr. JAROSZEWSKI. No, I have no idea.

Senator PERCY. Was it difficult to locate the cars Ostrowsky ordered?

Mr. JAROSZEWSKI. In the very beginning it was difficult. We spent a lot of hours on the street looking for cars, but after a short period of time we started recognizing or spotting different cars, late model Cadillacs or Lincolns, and making a mental index of these cars; and more and more this worked easily for us, because if we got an order for a current-year Cadillac we knew exactly where one was sitting.

Senator PERCY. Was there any reason why you didn't make written records of them? I should think it would be easier to note down such-and-such a white Seville, whatever it may be, such-and-such a location. Or were you concerned about having written records on you in case you were stopped and searched?

Mr. JAROSZEWSKI. Naturally you wouldn't want any kind of paperwork as to what you had picked out as a future steal, and possibly steal that car and have those records in the car. It would be traceable back, there would be a connection to those steals.

Senator PERCY. How long would it take you to find a car that was ordered, on the average?

Mr. JAROSZEWSKI. We always found a car we wanted that night.

Senator PERCY. That same night?

Mr. JAROSZEWSKI. That same night. If we got the order at closing at the yard, Steve Ostrowsky would always make a record through the day of what he had on order, and in the evenings he would give these orders out to the different thieves and chop-shop operators, and we would leave and within 3 or 4 hours we would find what we were looking for.

Senator PERCY. I know Chicago pretty well. Can you give me some idea as to what areas you found to be the best areas to steal luxury cars in?

[At this point Senator Nunn entered the hearing room.]

Mr. JAROSZEWSKI. Steve Ostrowsky's business was concerned with late model luxury cars. We found the Gold Coast, the North Lake-

shore Drive area of Chicago, to be one of the choicest areas for these cars to be in.

Senator PERCY. Right along Lakeshore Drive, going how far north?

Mr. JAROSZEWSKI. As far as Lakeshore Drive goes up, until you get into the suburbs.

Senator PERCY. Did you get into the suburbs?

Mr. JAROSZEWSKI. Very rarely did we go that far on Lakeshore Drive to get into the suburbs.

Senator PERCY. There are plenty of vehicles right on the lakefront.

Mr. JAROSZEWSKI. Very seldom was it necessary to go to the ends of Lakeshore Drive.

Senator PERCY. Street parking is difficult there. Were most of these cars parked in garages, the luxury cars?

Mr. JAROSZEWSKI. They were either parked in garages, a few on the street, mostly in garages and lots that were fenced and attended. Garages were also attended in a condominium or apartment.

Senator PERCY. If they were in garages and there were garage attendants, how did you go about getting the cars out?

Mr. JAROSZEWSKI. Well, Steve Ostrowsky and Harry Holzer had built an exact replica of a current-year Chicago Police Department detective's car. If we were having problems getting the car out of a certain location, we would go to the garage, take this car out, dress ourselves in suits. Two men would be in the front seat of the car, the third man in the back. We would drive into the Gold Coast area, drop off the thief, and he would go down into the garages, and while he was doing that we would make it quite apparent to the attendants that we were the Police Department and we were out there to protect him, and we were quite aware that there was somebody in his garage.

We did not physically talk to him, but by hand signals and so forth he felt quite confident that we were the Police Department and there wasn't a problem.

Senator PERCY. You provided police protection for your own thieves?

Mr. JAROSZEWSKI. Correct.

Senator PERCY. Weren't you concerned about the very high penalty, however, for impersonating a law enforcement official?

Mr. JAROSZEWSKI. That never entered my mind.

Senator PERCY. By that time you had gotten in pretty deep, and that was just one additional risk that you felt was worthwhile?

Mr. JAROSZEWSKI. That is correct; yes.

Senator PERCY. Senator Nunn, we are very happy to have our chairman with us. We are not on a time limitation. Would you be good enough to break in if at any point you would like to question our witness?

I would like to say both the witnesses have been extraordinarily helpful and cooperative, and we are pleased to have them here this morning.

Did any garage attendant ever stop you?

Mr. JAROSZEWSKI. No; we were never stopped by a garage attendant, never confronted with it.

Senator PERCY. Did either you or your brother-in-law know how to dismantle a car before you went to work for Ostrowsky?

Mr. JAROSZEWSKI. Would you repeat that question, please?

Senator PERCY. Yes. Did either you or your brother-in-law know how to dismantle a car, had you ever dismantled a car, before you went to work for Ostrowsky, or was this the first time you had done that?

Mr. JAROSZEWSKI. We had no experience whatsoever in the mechanical field.

Senator PERCY. How did you learn to dismantle a car?

Mr. JAROSZEWSKI. This was taught to us by Richard Zink.

Senator PERCY. By Zink?

Mr. JAROSZEWSKI. Yes.

Senator PERCY. Could you run through the technique that Zink taught you for chopping cars?

Mr. JAROSZEWSKI. Yes. The first night that we chopped a car, we pulled a car into the garage, and the front end—first of all, the first thing we did was completely strip out the car of all personal effects, anything that would relate to the owner. We would then remove the VIN tags, destroy the numbers on the engine block, the transmission; and if we could locate the frame numbers, they were destroyed then.

All the personal effects were put into a 55-gallon drum, burned, destroying that.

The license plate was also burned up as an identifying number. We did this—

Senator PERCY. Could you tell us why the removal of VIN numbers was the first act that you performed? Was it always the first thing you did?

Mr. JAROSZEWSKI. That was always the first thing we did. We did that primarily, if we were to get caught in the process of chopping up a car, by destroying all of these numbers, which were the only identifying numbers on the car, the police department would have a very hard time proving that this was a stolen car or who it belonged to, or where it came from.

Senator PERCY. How did you always know where those VIN numbers were?

Mr. JAROSZEWSKI. The engine numbers and transmission numbers were always generally in the same area. The VIN tag was always in the dashboard. The frame numbers were a difficult thing, but as time went on, you knew from other people as the current year's cars would come out, they would chop one, locate the numbers and the thieves would inform each other as to where those numbers are located on specific numbers.

Senator PERCY. Was the technique you have described for chopping a standard technique used by chop shop operators in Chicago, to the best of your knowledge?

Mr. JAROSZEWSKI. Was it a standard operation for everyone?

Senator PERCY. Did most of them use the same technique?

Mr. JAROSZEWSKI. Everyone I knew and talked to basically used the same technique we were taught.

Senator PERCY. What did you do with the parts after chopping the car?

Mr. JAROSZEWSKI. The front ends, the doors, the rear clip of the car, these parts were not numbered, all of these parts were taken apart, loaded on a truck and delivered to South Chicago Auto Parts. The

remaining parts of the car were cut up and sent to the pulverizer in another truck to be chopped up for scrap iron.

Senator PERCY. Did you ever sell the numbered parts to South Chicago along with the unnumbered parts?

Mr. JAROSZEWSKI. There was no body shop that I know of or salvage yard that I have ever dealt with that would buy anything that had a VIN number on it from the original car.

Senator PERCY. In other words, a numbered part is valueless?

Mr. JAROSZEWSKI. Correct, the motor and transmission was worthless, the frame was worthless, and the cowl was worthless because they were all tagged with numbers.

Senator PERCY. How much money did you receive from the pulverizing company for the engine and transmission? How did that compare with what its real value might be?

Mr. JAROSZEWSKI. We never actually took any money from the pulverizing company. We would always weigh in and weigh out the trunk. They would give us an amount of dollars for the weight of the iron that we took down there. This money was always given back to the yard men who worked at the pulverizer yard because they were aware of what we were doing, bringing in late model motors and transmissions. So as an incentive to let us continue using their yards, we would just, whatever we received, \$20, \$30 for a load of iron at the front gate, we would give it back to them in the yard.

For that they would always make sure that parts were immediately dumped into the conveyor belt and run through the pulverizer.

Senator PERCY. In other words, a numbered part was valueless, and all you wanted to do was get rid of it?

Mr. JAROSZEWSKI. Correct.

Senator PERCY. If a salvage yard owner legitimately purchased a late model engine and transmission, for how much could he sell these parts?

Mr. JAROSZEWSKI. I would estimate the value of a late model car could be as much as \$1,000, from \$500 to \$1,000, depending on the car and the engine and transmission.

Senator PERCY. And could you tell us whether other professionals in this business also destroyed their engines and transmissions, to the best of your knowledge?

Mr. JAROSZEWSKI. Yes, I don't believe anyone that I ever knew kept those engines or transmissions.

Senator PERCY. Were there any yards in the Chicago area that to your knowledge would buy numbered parts?

Mr. JAROSZEWSKI. No.

I just have no knowledge of anybody that would buy anything with a number on it.

Senator PERCY. Was the very fact that a number was removed suspect then? In other words, there are two possibilities—that number could be retrieved by the police because you hadn't destroyed it or the very fact the number had been destroyed was evidence of the fact that it was a stolen part?

Mr. JAROSZEWSKI. Correct, anything that is melted, the numbers melted on the block or the transmission in essence made it worthless, also.

Senator PERCY. You and the rest of the chop shop operators in Chicago simply discarded two of the most valuable parts of an automobile simply because there were vehicle identification numbers on them?

Mr. JAROSZEWSKI. That's correct.

Senator PERCY. How soon after chopping a car would you deliver the parts?

Mr. JAROSZEWSKI. The steal, the chopping and the delivery all took place within a 24-hour period. Most of the time well within 24 hours.

Senator PERCY. If they were sold that fast, were a sizable proportion of them already ordered ahead of time, or was that a very small proportion?

Mr. JAROSZEWSKI. No, the major number of parts that we were delivering were sold prior to the steal. These were always steals to order.

Senator PERCY. If you could deliver the parts in 24 hours, how long did it take the automobile manufacturer to deliver the same kind of replacement body parts.

Mr. JAROSZEWSKI. Well, if you were to order a complete door from a manufacturer, delivery time would probably be 4 to 6 weeks by the time you had all the mechanisms that are in a door delivered to a body shop. We were delivering the same door the next day completely assembled and for probably 100 or possibly even 200 percent under the cost of a factory replacement door.

Senator PERCY. Senator NUNN, I have been advised an amendment that I am cosponsoring to the windfall profit tax bill is pending on the floor at the present time. I have a very short statement I would like to go down to the floor now. I think Senator Javits will yield to me on it. Will you be able to stay for a few minutes?

Chairman NUNN. Yes.

Senator PERCY. I thank you very much; appreciate it.

[At this point Senator Percy withdrew from the hearing room.]

Chairman NUNN [presiding]. How did the South Chicago Auto Parts compare with the prices—with that charged by manufacturers? I believe you just went over that?

Mr. JAROSZEWSKI. The yards, the salvage yards would charge, say, \$50 for a door. If you purchased that same door from the manufacturer, it could cost \$200 so the difference in price was extreme.

Chairman NUNN. Do you have any idea, from your experience, why it takes a manufacturer so long to deliver parts? Didn't you say sometimes it would take weeks or months where you could get them delivered in days by stealing the car and chopping it up?

Mr. JAROSZEWSKI. That's correct.

Chairman NUNN. Do you have any idea why it takes that long to get spare parts from manufacturers who mass produce these?

Mr. JAROSZEWSKI. Well, if you are ordering the complete door, if you have a door that is totally irreparable and you need a complete door, if you order it from a manufacturer, that door is built in pieces and that's how it's shipped, in pieces.

A door is not completely built and then sent to an auto shop. It comes in in pieces. So you have a number of parts that have to be

ordered. They do not necessarily carry all of these parts, they are not readily available so the shipping time always creates that delay because you are not shipping a whole door, you are shipping a door in pieces.

Chairman NUNN. How did you get paid by Ostrowsky?

Mr. JAROSZEWSKI. Whenever we delivered the dismantled car, he would write us a check. This check was made out to a fictitious name. We then took these checks to a currency exchange which Mr. Ostrowsky had a guarantee on all of his checks. We also used the bank sometimes that he dealt with that also was guaranteed, all of his checks were guaranteed at. What I mean by guaranteed is we would take these checks to the currency exchange, or the bank, with a fictitious name on them, give them to the teller. They would cash the check without asking for any identification. In essence, the reason they did this was because they would legitimize the part, in essence. They would have a record as buying a specific part from an individual and writing him a check for it and feeling that that individual was who he said he was.

Chairman NUNN. What was the main reason for using the fictitious names from Ostrowsky's point of view?

Mr. JAROSZEWSKI. Well, I certainly wouldn't want my name on \$100,000 worth of checks that were in my name and cashed for auto parts that possibly could be proven stolen if they were found in the yard and they would immediately come back to me; whereas with a fictitious name, the trail ends at that check.

Chairman NUNN. Was this more or less standard operating procedure for other illegal operations?

Mr. JAROSZEWSKI. As far as I know, it was used by all the yards in the Chicagoland area, for these type of purchases—sales—purchases, rather.

Chairman NUNN. In your statement, you said six chop shops supplied South Chicago Auto Parts with stolen parts. Did Ostrowsky have any other source for stolen parts besides these chop shops?

Mr. JAROSZEWSKI. Yes; he also had approximately 25 strippers that would strictly work out on the street. These were people that were unrefined in chopping an entire car. They were only concerned with stealing the front end and doors off of the cars. That was another way of acquiring stolen parts off the streets.

Chairman NUNN. Was this a random operation or was it done by order, the way yours was?

Mr. JAROSZEWSKI. They are primarily a random order situation; where we dealt in luxury cars, their primary areas were Chevys, Fords—the lower- to middle-priced cars.

Chairman NUNN. Did they do it on order or did they just go out and steal as much as they could?

Mr. JAROSZEWSKI. No, they would just go out, if they could find enough alley garages to get six, eight cars, four cars, whatever they could find room to get in, that's what they would steal.

Chairman NUNN. Where did they inventory this? Did they go ahead and chop them up, just like you did?

Mr. JAROSZEWSKI. No, it was strictly pull the front end off, take the doors and that was it. Sometimes an interior, but mostly doors and front ends is what they dealt with.

Chairman NUNN. They would just leave the car where they were sitting?

Mr. JAROSZEWSKI. No; they would use these alley garages to give themselves the opportunity to take the parts off undetected. After they had delivered the parts and been paid for them, they would always have—the next night would be buzzard race night. This is what they call—

Chairman NUNN. Would be what?

Mr. JAROSZEWSKI. Buzzard races.

Chairman NUNN. Buzzard?

Mr. JAROSZEWSKI. This is a stripped-down vehicle, what is left of it after they have taken the door, front end, whatever else they wanted out of it. They would start these cars up, say they would have four to six cars in a specific block in the alleyways and garages. They would start these cars up and a man in every car and just get them out of the area as quickly as they possibly could. This is where the name buzzard races came from.

Chairman NUNN. Where did they take them?

Mr. JAROSZEWSKI. Just drive them a mile away, six blocks away, whatever they felt comfortable, just as long as they could possibly protect those alley garages for, say, another night.

Chairman NUNN. Wasn't this kind of dangerous to be in the position of riding in a stripped automobile if anybody saw them?

Mr. JAROSZEWSKI. There were usually done in areas of very low-income areas, slum areas. They were always driven through the alleyways so the risk of getting caught was pretty slim.

Chairman NUNN. How many cars would you estimate these 25 strippers strip in a year?

Mr. JAROSZEWSKI. I would estimate they would strip on an average through the year a car a day.

Chairman NUNN. Each?

Mr. JAROSZEWSKI. Each man would at least strip one car a day.

Chairman NUNN. That would be 25 cars a day?

Mr. JAROSZEWSKI. That's correct.

Chairman NUNN. You are talking about several thousand, seven or eight thousand cars a year.

Mr. JAROSZEWSKI. I would venture to say that it would be from five to—5,000 as an average, say, for these 25 strippers.

Chairman NUNN. What would be the value of these cars?

Mr. JAROSZEWSKI. They would be dealing in a price range of \$300, given a high and low possibly.

Chairman NUNN. Is that what they would get for it?

Mr. JAROSZEWSKI. That is what they would get for what they stripped off the cars.

Chairman NUNN. Are the cars worth anything when they are abandoned?

Do they have a value at that stage, or have they been stripped to the point that they weren't worth much?

Mr. JAROSZEWSKI. Most of these cars were taken back in by the insurance companies and sold through auction as stripped vehicles.

Chairman NUNN. So would they fit under the category of recovered automobiles?

Mr. JAROSZEWSKI. That's correct.

Chairman NUNN. So even within the recovered statistics, even though the number of recovered cars is going down, what you are say-

ing is that a good number of recovered cars are still not joyride type cars; they are part of the organized criminal activity.

Mr. JAROSZEWSKI. Absolutely.

Chairman NUNN. Did the repair shops go to salvage yards to get replacement parts to repair a partially stripped car?

Mr. JAROSZEWSKI. That was their primary source in the Chicago area, was salvage yards for replacement parts.

Chairman NUNN. Did Ostrowsky's yard ever sell parts to these repair shops which were then placed on the very cars from which they were stolen?

Mr. JAROSZEWSKI. They attempted to request a color from the dealership. Say the repair shop, wherever it may be, said we had a blue car and Steve had blue doors, he wouldn't send them, he would send another color to avoid the same doors getting on the same cars.

Chairman NUNN. Do you have any examples of—

Mr. JAROSZEWSKI. At one time a Cadillac dealership in South Chicago called up looking for four doors off of a Cadillac.

Chairman NUNN. You mean four stolen doors?

Mr. JAROSZEWSKI. Well, they wanted four doors from the salvage yard to repair their Cadillac. A day or so prior to that order, one of the strippers had brought the identical doors that had come off that Cadillac into South Chicago Auto Parts. Unknowingly, I don't know how it happened, but those doors that originally came off of that Cadillac ended up back on it. And the reason I know that—

Chairman NUNN. How was that known?

Mr. JAROSZEWSKI. A couple of days after the doors were delivered, the repair shop called the yard, South Chicago Auto Parts and told them the doors they put on were the same doors and the woman had come down for the car and the reason they knew that those doors were hers, they opened the ashtray in the door and there were her cigarettes with her lipstick smudges on them.

Chairman NUNN. And she recognized that?

Mr. JAROSZEWSKI. She recognized the doors and they called the yard, informed them of the predicament. I don't know how it was settled, but it never went to the police.

Chairman NUNN. Wasn't it a custom to take everything out of a stolen car, wouldn't they normally dump out the ashtrays and clean them up?

Mr. JAROSZEWSKI. Like I indicated before, these are doors that all came in from street strippers, which were unsophisticated ways of acquiring body parts. When those doors came into the yard, they were probably missed by a yardman, which is a serious thing.

Chairman NUNN. How did you find out that the salvage yard had been called about that?

Mr. JAROSZEWSKI. Ostrowsky and I had a conversation about it and laughed about it.

Chairman NUNN. Were you worried about the police finding out, or did the insurance company know about it?

Mr. JAROSZEWSKI. I don't know if the insurance company knew about it or not, but I knew it was handled that day and there was no problem in handling the situation.

Chairman NUNN. What were the advantages of selling all the body parts to a body switch operator instead of selling the parts to a salvage yard?

You said you switched to this method?

Mr. JAROSZEWSKI. We lost our garage to a police arrest and we switched over to the body switch operation. At that point in time, my brother-in-law and I split. He went into a legitimate business. I made a different deal with Steve Ostrowsky at that time. We went into the body switch business, which would give us more money per car than just chopping them and selling them to a salvage yard.

The body switch business basically, the body switcher would buy a totaled car from an auction, a, say, late model Cadillac that had been rolled over or something. The frame is still good, the transmission is still intact, the motor is in good shape. He would order an identical car and he would not buy just any particular part for the car, he would want all the sheet metal, where your salvage yards or your repair shops would order a front end and a door, just portions of the car.

We were selling a complete sheet metal off of one particular car to a switch operator. He would strip his demolished car and take the sheet metal and set it on the frame, transmission and motor, take the VIN tag out of his wrecked car, stick it in the dashboard of the changeover and he would have a perfectly legal car that no one could identify as stolen.

Chairman NUNN. Is there any way that law enforcement agencies could devise methods to impede this kind of operation, if not make it dangerous? Is there any way to do that through changes in State laws? Are there laws in some States that make it more difficult to have this kind of switching operation?

Mr. JAROSZEWSKI. Well, it is potentially possible once a car has been totaled, that title may not be reissued as a street vehicle would be one way.

Chairman NUNN. It could not be reissued.

Mr. JAROSZEWSKI. Could not be reissued as a legal street vehicle.

Chairman NUNN. Do any States have those laws that you know of?

Mr. JAROSZEWSKI. I am not absolutely sure, but I think there are a couple States that use that process. I am not absolutely sure though.

Chairman NUNN. How large a clientele did you have in this switching operation?

Mr. JAROSZEWSKI. We had people in Pennsylvania, Missouri, Indiana, Wisconsin, Illinois. There were quite a number of shops that we dealt with.

Chairman NUNN. What was your role in this operation as compared to Ostrowsky's role? What did he do and what did you do?

Mr. JAROSZEWSKI. Ostrowsky made all the deals for the sales of these sheet metal, of the complete switch cars. I would work dismantling the car complete off the frames and engines and loading them and delivering them. He did the sales and I did the dismantling.

Chairman NUNN. What kind of volume did you do in a week?

Mr. JAROSZEWSKI. Well, we would try to do a car a day. If it was at all possible, we tried to get a car in every day.

Chairman NUNN. How many hours a day did you work, did you get up early or work late?

Mr. JAROSZEWSKI. If the car was in a garage, I would say maximum 3 hours and I was on my way.

Chairman NUNN. So you put in about a 15-hour week?

Mr. JAROSZEWSKI. Yes, it was a very limited amount of hours, not very much at all.

Chairman NUNN. What did you spend your spare time doing?

Mr. JAROSZEWSKI. Spending my money.

Chairman NUNN. How much were you making at that stage per week?

Mr. JAROSZEWSKI. Oh, I would make \$1,500, say a \$1,000 to \$1,500 per car.

Chairman NUNN. Per car?

Mr. JAROSZEWSKI. Per car.

Chairman NUNN. What would you average, three or four a week?

Mr. JAROSZEWSKI. We would try and get as close to five as we could. Sometimes we didn't make it but we sure shot for that.

Chairman NUNN. You were making anywhere from \$1,500 to \$2,000 per car and anywhere from three to five cars per week. Would you say a minimum of \$4,000 a week?

Mr. JAROSZEWSKI. That would be a good estimate. This was my share. Steve Ostrowsky made an equal amount of money.

Chairman NUNN. And a maximum of about \$6,000 a week?

Mr. JAROSZEWSKI. Yes; if we doubled up.

Chairman NUNN. So you were making anywhere from \$150,000 to \$200,000 a year?

Mr. JAROSZEWSKI. That's correct.

Chairman NUNN. Did you usually work weekends? Did you work during regular weekdays or how did you divide your time?

Mr. JAROSZEWSKI. No; we worked 5 days and the weekends we partied.

Chairman NUNN. Then you didn't steal on weekends?

Mr. JAROSZEWSKI. No.

Chairman NUNN. Is there any particular reason for this; is it easier to get away during the week, more traffic?

Mr. JAROSZEWSKI. No; we just had the weekends to ourselves, not saying that we weren't working when we were out because on occasions we had spotted cars we needed for the next week and had actually gone out on occasions after being out partying and had gone back out that night and stolen the car so we had it ready for Monday.

Chairman NUNN. Were most of the body switch operators you dealt with from the Chicago area or were many from out of State?

Mr. JAROSZEWSKI. They were from various States. Like I indicated before, Pennsylvania, Missouri, Indiana, Wisconsin, Tennessee, was another State that we delivered to.

Chairman NUNN. After the body switch operator placed the stolen body parts on the legitimate frame, could this car be identified as stolen if someone intercepted it and inspected it?

Mr. JAROSZEWSKI. There was no physical way to identify that car once the switch was made.

Chairman NUNN. Why is that, did you have all the numbers match up?

Mr. JAROSZEWSKI. All the numbers on the motor, transmission, and the frame and the VIN plate of the dashboard all matched.

Chairman NUNN. Many law enforcement officials argue that if insurance companies sold all of their totaled vehicles as junk, which could only be used for spare parts—instead of salvage which allows the totaled vehicles to be rebuilt, this type of body switch operation would not exist or would be more difficult, do you agree?

Mr. JAROSZEWSKI. Yes; I do.

Chairman NUNN. Why?

Mr. JAROSZEWSKI. There would be no cars available for the switching process.

Chairman NUNN. Have difficulty getting a title.

Mr. JAROSZEWSKI. You couldn't get titles for them. You would be stuck.

Chairman NUNN. Do you think this would curb automobile theft?

Mr. JAROSZEWSKI. A portion of it. It would definitely stop that area.

Chairman NUNN. When you entered the chop shop business in 1970, did you realize that you were going to work with organized crime figures?

Mr. JAROSZEWSKI. No; I did not.

Chairman NUNN. When did you first learn Ostrowsky was involved in organized crime?

Mr. JAROSZEWSKI. In the spring of 1971, I was aware of organized crime, and Billy Dauber and Steve Ostrowsky's affiliation with organized crime.

Chairman NUNN. Of course, when you are running a chop shop operation as sophisticated as the one you described, that is organized crime. When we are talking about the difference between what you later found out and what you first envisioned, how do you define organized crime?

[At this point Senator Cohen entered the hearing room.]

Mr. JAROSZEWSKI. Well, I guess the best way I can describe it is the way I found out. I was told by Steve Ostrowsky that Jimmy Catuara was the boss of south side Chicago who handled all the chop shop operations, and that he and Billy Dauber were also the enforcers for Jimmy Catuara. That was the makeup of the organization in Chicago.

Chairman NUNN. What do you mean by "enforcer" when you use that term?

Mr. JAROSZEWSKI. If somebody was an informant or created problems in other ways for the organization, Ostrowsky and Dauber would murder them.

Chairman NUNN. Not just rough them up but really get rid of them.

Mr. JAROSZEWSKI. Murder them.

Chairman NUNN. Did Ostrowsky tell you that?

Mr. JAROSZEWSKI. Yes; he did. I was involved in two situations where I actually cut up the cars that people were murdered in as informants.

Chairman NUNN. And Ostrowsky had told you that they had been murdered?

Mr. JAROSZEWSKI. That is right. He had told me that he and Billy Dauber had murdered these individuals.

Chairman NUNN. Did you ever meet Jimmy Catuara?

Mr. JAROSZEWSKI. Yes; I did.

Chairman NUNN. What were the circumstances?

Mr. JAROSZEWSKI. I met Jimmy Catnara one time in a restaurant on Halsey Street very close to Chicago Heights. I was introduced to him. Steve Ostrowsky, myself, and Jimmy were there for breakfast. They had a small meeting, which I was asked not to sit at. I got up and left the table. They had their conversation and we left.

Chairman NUNN. Did you ever meet Billy Dauber?

Mr. JAROSZEWSKI. Yes; I did, also through Steve Ostrowsky. He indicated to me that Billy Dauber was his partner in the enforcement end of his organization, and he also ran a salvage yard in the Chicago-land area.

Chairman NUNN. Did he do about the same thing that Ostrowsky did?

Mr. JAROSZEWSKI. Yes; I think from what little I know of his operation, it was basically the same only he did more of a volume basis. He was a bigger volume operator.

Chairman NUNN. Did Ostrowsky give you any advice about dealing with Dauber?

Mr. JAROSZEWSKI. He said he was crazy and to stay away from him and not deal with him.

Chairman NUNN. What did he mean by crazy, you mean emotionally unstable?

Mr. JAROSZEWSKI. He would snap and turn on you. At that point in time your life was in jeopardy.

Chairman NUNN. Have you ever heard of Albert Tocco?

Mr. JAROSZEWSKI. I have heard the name but that is about it.

Chairman NUNN. Do you know anything about whether he was part of the organization at that time?

Mr. JAROSZEWSKI. I had no contact other than just hearing his name mentioned so I have no knowledge.

Chairman NUNN. Could you explain the circumstances in which you first became certain Dauber and Ostrowsky really were part of the organization or, I guess you call it the outfit. What do you call it?

Mr. JAROSZEWSKI. Whatever, the outfit, organization. It all means the same, just different words for different—

Chairman NUNN. Which words were commonly used in this—

Mr. JAROSZEWSKI. Organization is fine.

Chairman NUNN. Is that what you used?

Mr. JAROSZEWSKI. Yes, primarily.

Chairman NUNN. Tell us about the circumstances when you found out that they were part of the organization.

Mr. JAROSZEWSKI. Well, I was invited to a luncheon at the Holiday Inn in Lansing, Ill., one time. Steve Ostrowsky called me and told me to come on down. When I got there, he was waiting for me at the front door. He asked me if I had enough acetylene and oxygen in my garage to melt down three guns and I said I did, and he said, fine, come on into the restaurant.

So we went in and sat down. There were six gentlemen there—Steve Ostrowsky, Billy Dauber, Bob Ostrander, Bobby Brecka and two other fellows. I didn't remember their names. Basically the conversation was centered around Bob Pronger.

Chairman NUNN. Who was Bob Pronger?

Mr. JAROSZEWSKI. He was a salvage yard owner in Blue Island.

Chairman NUNN. Did you know him?

Mr. JAROSZEWSKI. No; I did not.

Chairman NUNN. You say you asked about him?

Mr. JAROSZEWSKI. Well, I was listening to their conversation. The name came up and in a pause in the conversation, I asked if there was any chance that Bob Pronger would let out that he knew where my chop shop was.

The situation arose just earlier a week or so prior to this lunch where Pronger had called Harry Holzer and asked him if he was operating a shop on 159th Street in Markham. Naturally I was told about the inquiry and I was concerned that possibly—

Chairman NUNN. Was that your shop?

Mr. JAROSZEWSKI. That was my shop, that Pronger might let it out there was a shop in operation out there.

Chairman NUNN. So somebody—who was it who let you know Pronger made that phone call?

Mr. JAROSZEWSKI. Harry Holzer.

Chairman NUNN. He was a friend of yours?

Mr. JAROSZEWSKI. Yes; he was a partner of Steve Ostrowsky.

Chairman NUNN. He let you know about Pronger making that phone call and you inquired at this Holiday Inn luncheon whether Pronger might let that out?

Mr. JAROSZEWSKI. Correct. That was a mistake. When I asked the question I got kicked in the shins under the table by Steve Ostrowsky and Billy Dauber. Dauber leans over to Ostrowsky and said, "Didn't you tell him?" And Ostrowsky turned around to me and says, "We just murdered that guy," or "That guy just got murdered." So I clammed up.

Chairman NUNN. Let me go back 1 minute and then I will yield to Senator Cohen. What about the guns, did they tell you why they wanted the guns melted?

Mr. JAROSZEWSKI. They indicated to me that one of the guns belonged to Pronger, the other two were used to kill him.

[At this point Senator Percy entered the hearing room.]

Mr. JAROSZEWSKI. They wanted to use my torches to melt down the guns to make them unidentifiable.

Chairman NUNN. That was after you inquired about Pronger at the table?

Mr. JAROSZEWSKI. Yes; that's correct. That is what they did after we left the restaurant.

Chairman NUNN. Senator Cohen?

Senator COHEN. Mr. Chairman, I was just going to inquire about the statements to the witness: "he had just gotten killed" and "they had murdered him." There is a big difference, depending on whether he had been murdered or whether they had in fact murdered him. Could you clarify that?

Chairman NUNN. Did they tell you?

Mr. JAROSZEWSKI. They did in fact murder him, Ostrowsky and Dauber.

Chairman NUNN. Did they tell you that?

Mr. JAROSZEWSKI. They indicated to me, yes, they did tell me that. They told me the way that came out is Stevie was bragging about what a good shot he was and what a poor shot Dauber was. I guess Dauber shot him in the neck and Stevie shot him in the head.

Chairman NUNN. When did that conversation take place? You first walked into the restaurant, they told you about wanting the guns melted down, you sat down at the table, you asked about Pronger, they kicked you in the shins and they told you he had just been killed.

Mr. JAROSZEWSKI. Right, later on that conversation came up. They indicated at that table, though, that he was dead and they were involved.

Chairman NUNN. Do you know why they killed him? Did they tell you that?

Mr. JAROSZEWSKI. They felt Pronger was an informant. And this is the reason he was killed.

Senator PERCY. If you would yield, Senator Nunn, on this one point, did they in any way try to get a message across to you that he was killed because he was an informer? Were they in any way trying to warn you as to what happened to informers?

Mr. JAROSZEWSKI. I think going back, we were aware of what would happen if you informed on the organization. They were not trying to impress me at that particular point in time at all. They were just making me knowledgeable of what had occurred.

Senator PERCY. Did they make it clear as to who ordered the murder?

Mr. JAROSZEWSKI. The hit would have to come through Jimmy Catuara. That action was not taken unless he OK'd it.

Senator PERCY. Was it an authority beyond Ostrowsky?

Mr. JAROSZEWSKI. That would be Jimmy Catuara.

Senator PERCY. And he was carrying out his orders?

Mr. JAROSZEWSKI. That is correct.

Senator PERCY. Did he indicate whether this was a pretty common procedure, that he had done it before?

Mr. JAROSZEWSKI. Well, I found out that it was a common thing, because I was involved again. Ostrowsky indicated to me that Dauber and him had been involved in murders in the past. There was no denial by Dauber. He was in that conversation.

Senator PERCY. Of the 14 murders that occurred in Chicago in the past 10 years in this somewhat limited field of auto theft, most of those, as I understand it, were gangland murders. In your judgment, were the victims informants or were they people who were muscling into the business or not paying protection? Do you know anything about any of the 14?

Mr. JAROSZEWSKI. I would say most of these people that have been murdered were informants. Possibly one or two that weren't were people who would just not go along with the process, the organization. But their major concern as the informant.

Senator PERCY. Thank you, Senator.

Chairman NUNN. Where did you go after leaving the Holiday Inn?

Mr. JAROSZEWSKI. We left the Holiday Inn and went over to Steve Ostrowsky's house. We all got out of Billy's car, which was a current-year Cadillac Fleetwood. We went into Stevie's house. I waited downstairs, and they went upstairs. Billy carried in a brown bag. I don't

know for sure. I didn't see what was in the bag, but there was a metal sound coming from the bag, clanking iron. I assume it was the guns that Stevie had talked about earlier.

They were upstairs for a few minutes, came back down, and we left Stevie's house. From there we drove over to an apartment complex in Glenwood. There we pulled up next to an identical car to Billy's at the time. It was a four-door black Fleetwood. Steve and I got out of Billy's car. He said this was Pronger's car. We are taking it over to the shop and chop it up.

So we drove Pronger's car over to my shop, and Billy Dauber followed in his car. We got to the shop. I opened up the side bay, pulled the Fleetwood in. I had another car in the garage at the same time that was ready to be chopped.

Billy got out of his car carrying a brown bag. They went into the garage. They told me to take off, have a cup of coffee, and lock up behind me. So I left, went and had coffee, and came back. And they were waiting for me. I assume they used my acetylene torch at that time and melted down the guns they were talking about.

Chairman NUNN. Did they bring that brown bag with the guns out of the garage?

Mr. JAROSZEWSKI. They carried the brown bag out, but it was also wrapped with an old towel rag, I guess for the heat, I don't know. But they were carrying the bag back out, yes.

Chairman NUNN. Did they tell you what to do with the automobile?

Mr. JAROSZEWSKI. Yeah. They wanted me to completely chop the car up, get rid of the scrap, and load all the sheet metal on a rental truck and meet them the next day at the Holiday Inn, again. So I know what I needed to do the next day.

Chairman NUNN. Did you do that?

Mr. JAROSZEWSKI. Yes, I did.

Chairman NUNN. What did you do with this sheet metal or the parts?

Mr. JAROSZEWSKI. We took—I took the sheet metal over to the Holiday Inn and met Billy and Steve. Then I followed them into Indiana. We drove into a parking lot of a meatpacking plant. In the parking lot Schmadenbergh was waiting for us. That is a brother-in-law of Billy Dauber, with a 40-foot semi. I backed my truck up to the back end of the semi. The four of us started transferring the sheet metal from my truck into the semi. We run into a problem on it. Getting the clip on the rear portion into the semi, the floor levels were at different heights. The semi was higher, so we had to use boards to slide the clip up into the semi.

Chairman NUNN. Did you deliver the whole car, or did you leave part of it back in your shop?

Mr. JAROSZEWSKI. Well, the only parts I left in my shop were the scrap. The motor, transmission, the frame and those pieces, the framing was cut up and loaded in the scrap truck. The rest of the car was delivered to that meatpacking plant.

Chairman NUNN. Did they tell you anything about getting rid of a rug or anything, about cleaning up the car relating to the murder?

Mr. JAROSZEWSKI. Steve indicated to me on the way back—well, when we got back to the Holiday Inn that first day, after they told me that I had to chop the Lincoln up and bring it down the next day,

he indicated while we were getting into our cars that he wanted me to burn the back carpeting, even though they washed the entire interior of the car. When they killed Pronger, they laid him on the floor of—the back floor of the car and that his blood was in the carpet, and they washed out what they could get out, but they felt there might be traces in the carpeting, and to burn that carpeting up so there would be no trace of it in the future.

Chairman NUNN. Did you do that?

Mr. JAROSZEWSKI. I did not. I gave that carpeting to my brother-in-law, who helped me chop the car, and he took it with him and burned it in an open field.

Chairman NUNN. Did they tell you where they killed Pronger?

Mr. JAROSZEWSKI. No; there was no indication to me as to precisely where they killed him.

Chairman NUNN. Did anything happen at the meatpacking plant relating to transferring the parts?

Mr. JAROSZEWSKI. As I was saying earlier, we had problems getting the clip into the semi. Billy told Schnadenberg to get some boards so he could slide the clip up in. Well, the boards he brought over were not strong enough, and halfway up the boards gave way. At this point in time, Billy snapped; he went crazy, pulled his gun off, and took after Schnadenberg.

Chairman NUNN. Took after him?

Mr. JAROSZEWSKI. Yes. He got out to the edge of the truck and got down, and Schnadenberg ran around the other side of the truck and tried to get away from him. He didn't shoot at him or anything, but Schnadenberg was definitely having a problem.

Chairman NUNN. Did he have his gun out?

Mr. JAROSZEWSKI. Yes, he had his gun out.

Chairman NUNN. What happened? Did Schnadenberg run away?

Mr. JAROSZEWSKI. No; he just got out of sight for a while. Billy cooled down, and we got back to loading the truck again.

Chairman NUNN. Was anyone ever tried for the murder of Pronger?

Mr. JAROSZEWSKI. Not that I know of.

Chairman NUNN. Do you know why not?

Mr. JAROSZEWSKI. I have no idea.

Chairman NUNN. Was his body ever discovered?

Mr. JAROSZEWSKI. That I don't know.

Chairman NUNN. Mr. Murtha, I understand you were in a prosecutor's role at that stage?

Mr. MURTHA. I was, Senator, although not specifically in connection with Pronger, his disappearance. There was a body recovered by authorities in Indiana, badly decomposed which was believed possibly to have been Pronger. There was what we prosecutors might call a rather premature cremation of the body by the local coroner's office, I mean literally within 24 hours of its discovery so there couldn't be any dental identification or any other matters. But it was believed that might have been Pronger's body. No one knew for sure.

Chairman NUNN. They didn't tell you what had been done with the body?

Mr. JAROSZEWSKI. No; they never told me what they did with it.

Chairman NUNN. At that stage, did you have any fears about participating in an organized crime activity and also participating to some degree in violent activities and murder?

Mr. JAROSZEWSKI. I felt at that time that was my first step into organized crime. I didn't feel that I was too bad off though because I felt maybe by doing this, I had possibly the weight or the power of Jimmy Catuara, Steve and Billy behind me. I was in essence initiated into organized crime, or the first step of it at least.

Chairman NUNN. And you realized you had taken a different kind of route then, but you felt more secure, not less secure?

Mr. JAROSZEWSKI. At that time I did feel a little bit more secure.

Chairman NUNN. Senator Percy, that completes that line of questioning. If you want to resume.

Senator PERCY. Thank you. I would like to yield to Senator Cohen for 10 minutes or any part thereof he would like to take.

Senator COHEN. Why don't you continue?

Senator PERCY. I have one question on this last section that you covered. Yesterday our witness, John Smith, made it clear that he never carried a gun. He saw no need for it. It was just an added risk he didn't want to take. He operated in the Southwest.

Chicagoland seems a little different. We have heard a lot of talk about guns here. Once organized crime moved into this business, along with it, did guns and murder appear? Did you carry a gun at any time, did you feel the need for it? Did you see the use of guns as prevalent?

Mr. JAROSZEWSKI. Well, as far as I was concerned, being a car thief, I felt it was a nonviolent crime, it didn't hurt anybody but the insurance companies. I felt no need for a gun, just never carried one.

Senator COHEN. Would you yield?

Senator PERCY. I would be happy to yield.

Senator COHEN. You weren't simply a car thief. Weren't you, in fact, a so-called wheelman for another murder?

Mr. JAROSZEWSKI. I was asked to be a wheelman for another murder. I was supposed to be but it never came about. So I was never involved in that murder.

Senator PERCY. Senator Cohen, would you and Senator Nunn break in any time that you would like to.

I would like to begin a new line of questioning. What kind of automobiles did people involved in the chop shop business drive themselves?

Mr. JAROSZEWSKI. Most drove late model Cadillacs or Lincolns. They were always either strippers or swaps, switchers or something like that.

Senator PERCY. Were they retagged cars and did they have a new identity?

Mr. JAROSZEWSKI. Yeah; they were in essence bought from salvage and put back together with stolen parts and made legitimate, to appear legitimate.

Chairman NUNN. Let's take Jimmy Catuara, for instance, what kind of car did he drive?

Mr. JAROSZEWSKI. He drove a 1971 Cadillac Eldorado.

Senator PERCY. Was that a stolen rebuilt car?

Mr. JAROSZEWSKI. Yes; it was.

Senator PERCY. How did you know?

Mr. JAROSZEWSKI. I built it.

Senator PERCY. That certainly is firsthand evidence. Could you tell us the circumstances under which you rebuilt this car?

Mr. JAROSZEWSKI. He indicated to Steve Ostrowsky and Billy Dauber that he would like to have a new 1971 Cadillac Eldorado, so they purchased a frame, a damaged vehicle from an insurance company. We had a couple of thieves steal a 1971 Cadillac Eldorado and deliver it to us. We put it in our garage and switched bodies and changed the tags. After this was completed and the car was finished and cleaned up, it was given to Steve and he and Billy gave it to Jimmy.

Senator PERCY. Could you give us some idea of the costs involved? What was the cost of the salvage car that was purchased, that presumably was an insurance auction vehicle? What was the total cost of the rebuilt car against the comparable price on the market for a new car the same year?

Mr. JAROSZEWSKI. I don't know the precise figures on Jimmy's car. As far as what they purchased the salvage for, but the—I would venture to say it was \$2,000 or \$3,000, say \$3,000 as a low figure, maybe \$3,500, in that area.

Mr. MURTHA. If I might interject, Senator, I do have a recollection, about \$1,300 was what they paid for the salvage.

Senator PERCY. \$1,300?

Mr. MURTHA. Just for the frame, the engine, transmission.

Senator PERCY. For the frame and everything?

Mr. MURTHA. Yes.

Senator PERCY. And that would compare with a purchase price of what?

Mr. MURTHA. I think market at that time on an Eldorado was \$7,000 or \$8,000.

Senator PERCY. So the cost was a fraction of the usual price.

After the car was rebuilt, could it have been identified as stolen from inspection of the car and various vehicle identification numbers?

Mr. JAROSZEWSKI. By the number process, no; it couldn't be identified at all.

Senator PERCY. All the VIN's matched?

Mr. JAROSZEWSKI. All the numbers that were hidden or in view all matched, matched the title.

Senator PERCY. Catuara was indicted however for possession of a stolen motor vehicle. Do you know how this happened if the car was so carefully rebuilt?

Mr. JAROSZEWSKI. The way Jimmy was indicted on the car was through information that I gave to an FBI agent, Michael Balgely, and because of that information and a lot of work, they proved that the car, in fact, was stolen.

Senator PERCY. In other words, without the help of an informant, in this case you, he never could have been indicted? Could you give us some account of the circumstances which led you to your first meeting with the FBI?

Mr. JAROSZEWSKI. I was picked up on the southside of Chicago and taken to the South Chicago Police Department. There I was questioned by Michael Balgely in Lieutenant Fisher's office of that department. I became a little skittish now. I was being questioned by the FBI and felt that I was really going to have a problem. And at this time when I met Michael Balgely is when I gave him the information on Jimmy Catuara's car hoping that possibly he would forget me and concentrate, say, in another area.

Senator PERCY. Can you tell us what happened to Catuara?

Mr. JAROSZEWSKI. You mean as a result of this investigation?

Senator PERCY. Yes.

Mr. JAROSZEWSKI. He was indicted in September of 1972 for possession of a stolen vehicle.

Senator PERCY. What was the outcome of that indictment?

Mr. JAROSZEWSKI. I don't know for sure. I think he was convicted?

Senator PERCY. Mr. Murtha, could you tell us about that?

Mr. MURTHA. The outcome of that indictment was that he was acquitted. We ran into considerable difficulty—let me backtrack. When the case was first returned, we had hoped to maintain the confidentiality of Mr. Jaroszewski's identity. His physical testimony we did not feel at that point was going to be available to him. We ran a rather elaborate procedure, even though we had all this information, to identify the fact that this was a stolen car. Computer printouts were obtained from General Motors. We in effect attempted to eliminate all other Sausalito green 1972 Eldorados in the country and either found out where they were and then tie that to the particular businessman whose car was stolen at O'Hare and which had been, the body, what not, had been placed on top of the salvage.

We came down to a point where we simply couldn't prove that these parts were, in fact, stolen, even with this very elaborate and very exhaustive investigative effort and substantial man-hours that were placed upon it. We seized the car the day the indictment was returned pursuant to a search warrant and it was thoroughly inspected by both NATB officials and by the FBI agents, but we ran into extreme difficulty in proving in effect that these parts were stolen.

Senator PERCY. Would the VIN numbering of sheet metal parts that are not now numbered have helped you in the prosecution?

Mr. MURTHA. There is no question, Senator. No. 1—

Senator PERCY. It would have been adequate evidence then?

Mr. MURTHA. Certainly.

Senator PERCY. What was the outcome of your arrest at the chop shop for possession of a stolen motor vehicle?

Mr. JAROSZEWSKI. That case eventually came to trial, or to a hearing. It was just thrown out of court for lack of evidence, and this was managed through a payoff to the police department in the southside of Chicago.

Senator PERCY. What officer in the police department was paid off?

Mr. JAROSZEWSKI. Lieutenant Fisher was given \$5,000 to withhold evidence so that the case was dropped.

Senator PERCY. Was that a cash payment?

Mr. JAROSZEWSKI. Yes; it was.

I saw the cash prior to the payoff.

Senator PERCY. Is that a business deduction from your income tax?  
Mr. MURTHA, do you know if Lieutenant Fisher was ever prosecuted?

Mr. MURTHA. He was not, Senator. He was granted immunity and subsequently testified in what we call the 18th district case involving Captain Brausch, and several other police officials. It was unrelated to car theft. He was given a formal grant of immunity by the department and testified as a Government witness against a multiple number of policemen involved in the 18th district.

Senator PERCY. Could you supply for the record the first name of Lieutenant Fisher? Do you happen to know his first name?

Mr. MURTHA. I think it is Robert.

Senator PERCY. And you can tell us his name openly?

Mr. MURTHA. Yes; he testified openly in court, in district court.

Senator PERCY. Do you know what he is doing now?

Mr. MURTHA. He is relocated, as far as I know. I don't know what he is doing, Senator. He is not in the Chicago area anymore, I know that.

Senator PERCY. Did Ostrowsky's relationship with members of the Chicago Police Department benefit you in other instances?

Mr. JAROSZEWSKI. Yes; on another occasion, I was arrested for possession of burglary tools, tools to steal cars with. I was taken to the police department. I made a phone call to Steve, I made him aware that I was arrested and where, and within an hour, I was released and given back my tools.

Senator PERCY. How did Ostrowsky manage to keep such close relationships with the police department, did they belong to the same fraternity?

Mr. JAROSZEWSKI. Ostrowsky paid the police department \$200 a week—

Senator PERCY. That was a regular payment?

Mr. JAROSZEWSKI. A weekly payment to the police department.

Senator PERCY. Now, is that payment made to a station, or to a group of individuals?

Mr. JAROSZEWSKI. An officer would come by the salvage yard once a week.

Senator PERCY. An officer would actually come by and pick it up?

Mr. JAROSZEWSKI. Yes.

Senator PERCY. Was it always the same officer?

Mr. JAROSZEWSKI. I believe so.

Senator PERCY. Do you know if he was collecting the payoff for himself, or was he collecting on behalf of others and, if so, how many?

Mr. JAROSZEWSKI. I didn't know what the end result of the money was. I knew they were getting paid off. I didn't know who or how many.

Senator PERCY. All you knew was that the payoff was adequate to obtain certain results.

Mr. JAROSZEWSKI. That is correct.

Senator PERCY. Therefore, you had an added assurance that, even when caught in possession of burglary tools, you could get off easily?

Mr. JAROSZEWSKI. That is correct.

Senator PERCY. And you felt safe to keep engaging in illegal activities.

Mr. JAROSZEWSKI. That is right.

Senator PERCY. Am I correct in stating that because of Ostrowsky's payoffs and organized crime's corrupting influence, that you never once stood trial, even though you were arrested three separate times within a 2-year period?

Mr. JAROSZEWSKI. That is correct.

Senator PERCY. Would you say that your experience with the local judicial system was typical or atypical for auto thieves in Chicago? Did other thieves use similar techniques and gain similar assuredness?

Mr. JAROSZEWSKI. I believe it was a very typical situation across Chicago.

Senator COHEN. Would you yield?

Senator PERCY. Mr. Murtha, in light of your background and experience, do you agree or disagree with your client's assessments?

Mr. MURTHA. I agree.

Chairman NUNN. Go ahead, Senator Cohen.

Senator COHEN. I was going to ask whether, under Illinois law, if one is served with an arrest warrant and taken into custody, is it then customary for a dismissal of that arrest to be on motion of the prosecutor or simply by the local police department? Does it have to have the signature and the acquiescence or consent of the judge? Exactly how high up does this go? Does it stop with the police department or go to the judicial system? Perhaps you could tell me, Senator Percy?

Senator PERCY. Happily, I can't speak from firsthand experience.

Mr. JAROSZEWSKI. On burglary tools, it is just the police let us go after they found out we worked for—and so forth. The judge let us go. I don't know if he was involved in the payoff or not, but I know there was a payoff and it went to court and we got away with that. So I can't answer any better than that as to how far.

Senator COHEN. Perhaps Mr. Murtha can tell us about that. Doesn't a dismissal have to be predicated upon a motion of a county or district attorney to dismiss charges that have been officially filed against someone who has been taken into custody?

Mr. MURTHA. Certainly, Senator, that would be the normal procedure, as Mr. Jaroszewski indicated in one of his cases, there was simply a finding of no probable cause and the case was dismissed by the judge. But normally it certainly has to be on the motion of the prosecutor.

We have no unique system, it is standardized, I think.

Senator COHEN. If it is as widespread as you indicated, what does that say about our judicial system, or, indeed, about the kind of supervision within the prosecutor's office itself, if, again, these kinds of cases are being routinely dismissed?

Mr. MURTHA. Certainly, I think at the time Mr. Jaroszewski is talking about and the state of the public record with respect to our police department in Chicago at that time—there have been numerous subsequent Federal prosecutions of corruption.

Chairman NUNN. What timeframe was that?

Mr. MURTHA. I don't know if we really tied that down.

Mr. Jaroszewski is talking about a period from 1970 to March 1973.

Chairman NUNN. You are not talking about anything of your personal knowledge, since 1973?

Mr. JAROSZEWSKI. That is correct.

Chairman NUNN. You are not alleging that you know anything about a particular payoff to a particular judge, is that right?

Mr. JAROSZEWSKI. I don't know if he was part of the \$5,000 payoff, but I know there was a payoff and I knew a judge, I was in front of a judge, and I was turned loose.

Chairman NUNN. You know there was a payoff in that case?

Mr. JAROSZEWSKI. I know that \$5,000 exchanged hands.

Chairman NUNN. What year was that?

Mr. JAROSZEWSKI. That was in 1971.

Chairman NUNN. In 1971? Do you know who made the payment?

Mr. JAROSZEWSKI. Steve made it to—

Chairman NUNN. Steve Ostrowsky?

Mr. JAROSZEWSKI. Steve Ostrowsky made it to Lieutenant Fisher.

Chairman NUNN. Beyond that, do you know what happened to it?

Mr. JAROSZEWSKI. I don't know if it was disbursed or kept by him. I don't know what happened to it.

Chairman NUNN. Was the charge that was filed against Lieutenant Fisher dismissed or was there an indictment?

Mr. JAROSZEWSKI. Yes. Well, it was a hearing—yes. There was an indictment, the charges were dismissed after indictment, correct.

Chairman NUNN. What forum was that in, was that in the Federal court or State court?

Mr. JAROSZEWSKI. State court.

Mr. MURTHA. State court.

Chairman NUNN. Does the State court have a district attorney, prosecuting attorney, what is the title?

Mr. MURTHA. State's attorney for each particular county.

Chairman NUNN. Was anyone ever charged with bribery in this case or with tampering with due process, any charge ever made on the \$5,000 payoff?

Mr. JAROSZEWSKI. No, sir.

Chairman NUNN. What has happened to the particular police lieutenant?

Mr. MURTHA. He has been relocated under new identity in another part of the country.

Chairman NUNN. Did he ever testify against anyone in this case?

Mr. MURTHA. Not in this case, Senator. It's the same fellow I mentioned. He testified against approximately 18 policemen in a general corruption case that was of rather major and significant proportion in Chicago.

Chairman NUNN. But he didn't testify as to what happened to the money, the \$5,000 in this case?

Mr. MURTHA. No, sir.

Senator COHEN. Could I just make clear for the record, Mr. Chairman, I am not suggesting any money went beyond the police department. It seems to me however, if you do have a widespread and pervasive problem in the Chicago area and if you have arrests being made and cases being filed on a systematic basis, it seems the current pattern reflects at least some lack of oversight or control on the part of the county prosecutor or the district prosecutor, perhaps even on the part of the judicial system itself. I don't want to suggest any money passed hands beyond those of the individuals you have named, but it seems

to me if that is widespread as you suggested, if it was back through 1973, then the problem is a lot deeper than would meet the eye.

Chairman NUNN. I want to leave it up to Senator Percy to bring the condition of the Chicago Police Department up to date. I think we ought to peg down exactly what is being testified to and what is not here. And the time frame you are talking about is from 1970 to 1973?

Mr. MURRELL. That is correct. Certainly the record should be accurate in that time frame.

Senator PERCY. It would take more time than we have available to explain the intricacies of our police system, and law enforcement in Cook County. Possibly sometime we will go into that.

A couple of other questions on this same topic. How did organized crime figures protect their own cars?

Mr. JAROSZEWSKI. Just like the average citizen, we didn't do anything different than anyone else did. I personally felt if my car was stolen, I could recover it if I got right on the phone and put the word out.

Senator PERCY. To your knowledge, have any members of organized crime ever had their cars stolen?

Mr. JAROSZEWSKI. No. Another situation, a system that we used was we used the salvage yards cards and stuck them in view in the windshield. That was another way—that was a way of letting people know that that was your car.

Senator PERCY. Senator Nunn, Senator Cohen, do you have any further questions? I will go into the next section.

You mentioned in your statement that you were actually asked to take part in a murder by being the wheelman. Whose murder was that?

Mr. JAROSZEWSKI. The man that was supposed to be murdered was Guido Fidanzi.

Senator PERCY. Could you give us the background on how you became involved with the planned Fidanzi murder?

Mr. JAROSZEWSKI. Steve Ostrowsky told me that he had got the OK for me to drive a car for him in the murder of Guido Fidanzi. I was supposed to drive the car and he was going to gun him down.

Senator COHEN. Did you agree to it?

Mr. JAROSZEWSKI. I didn't have a choice.

Senator COHEN. Well, did you say you would or would not?

Mr. JAROSZEWSKI. Yeah, I did. I said I would at that time.

Senator COHEN. So you did, in fact, conspire to commit a murder?

Mr. JAROSZEWSKI. Pardon me?

Senator COHEN. You did, in fact, conspire to commit a murder?

Mr. JAROSZEWSKI. Yes, but it never occurred.

Senator COHEN. I understand. That is not what the charge of conspiracy is all about. I am sorry, go ahead, Mr. Chairman.

Senator PERCY. Break right in any time. Why did they pick you for this job, when they could have had an experienced man?

Mr. JAROSZEWSKI. I don't know what their reasoning was in selecting me, but I was.

Senator PERCY. Was the regular wheelman out of town at the time?

Mr. JAROSZEWSKI. Billy Dauber was not around. I know that for a fact, so that could be a reason why I was asked to be the driver.

Senator PERCY. Did you and Ostrowsky actually kill Fidanzi as was planned?

Mr. JAROSZEWSKI. No.

Senator PERCY. What happened?

Mr. JAROSZEWSKI. The night that we were supposed to kill Fidanzi, Jimmy Catuara and Ferraro came to the house, Steven Ostrowsky's house.

Senator PERCY. Were you at all nervous about being a wheelman?

Mr. JAROSZEWSKI. Very much so.

Senator PERCY. You were?

Mr. JAROSZEWSKI. Oh, yes.

Senator PERCY. This was a new escalation in your career, again?

Mr. JAROSZEWSKI. This was more than I wanted to be involved with.

Senator PERCY. Was Fidanzi subsequently murdered?

Mr. JAROSZEWSKI. Yes, he was.

Senator PERCY. Did you take any part in his murder, or did Ostrowsky take any part in it?

Mr. JAROSZEWSKI. I don't know who actually killed Fidanzi, but it was not me. I was not involved at all.

Chairman NUNN. Could I intervene just a moment, Senator Percy. You said Catuara came to Steve's house the night you were planning to murder, to carry out the murder?

Mr. JAROSZEWSKI. That's correct.

Chairman NUNN. What took place when they came to the house, were you there?

Mr. JAROSZEWSKI. Yes, I was. Jimmy Catuara talked to Steve and told him that there was a surveillance by the law enforcement agency on Fidanzi and it was impossible to get to him, so that there was nothing we could do that particular night, so just forget it.

Chairman NUNN. Had Catuara been in on the murder plans?

Mr. JAROSZEWSKI. I assume so, since he was there that night and telling us we couldn't do it that particular night.

Chairman NUNN. You were physically present when he told you?

Mr. JAROSZEWSKI. That's correct.

Senator COHEN. I think it would be helpful to go into the details, exactly what time you came there, how you happened to be there, what time Mr. Catuara arrived, the nature of the conversation, how you happened to be invited in, and so on.

Mr. JAROSZEWSKI. The only way I can assume I was asked to be the wheelman, that is because Billy Dauber was out of town. Billy Dauber and Steven Ostrowsky were the enforcers.

Senator COHEN. But you went to the house that night for the purpose of driving a car with a man who was going to commit a murder, is that not correct?

Mr. JAROSZEWSKI. That is correct.

Senator COHEN. What time of the evening was that?

Mr. JAROSZEWSKI. This is right after dinner. 6:30, 7 o'clock.

Senator COHEN. Who was there when you arrived?

Mr. JAROSZEWSKI. Steven Ostrowsky was waiting for me.

Senator COHEN. How long after you had arrived did Catuara arrive?

Mr. JAROSZEWSKI. It must have been, oh, 10 o'clock when Catuara came by.

Senator COHEN. So you were waiting from 7 o'clock to 10 o'clock that evening preparing or waiting for the signal. What were you waiting for, why did you wait 3 hours before you decided to call off the plan?

Mr. JAROSZEWSKI. It was prearranged between Steve and Jimmy Catuara, I am assuming, from putting together all the facts.

Senator COHEN. What was prearranged?

Mr. JAROSZEWSKI. Pardon?

Senator COHEN. What was prearranged?

Mr. JAROSZEWSKI. That he would come by and let Steve know if it was OK, if their plan, whatever it was, could be effective, and they could get to Fidanzi. And by Jimmy actually turning up at the house and indicated that Steve couldn't kill him, it bears proof there.

Senator COHEN. I am told my questioning is an exercise in futility since Mr. Catuara was murdered in 1978.

Mr. JAROSZEWSKI. That is correct.

Senator PERCY. Mr. Murtha, was anyone ever tried for the murder of Guido Fidanzi?

Mr. MURTHA. No, Senator, it was not. Mr. Fidanzi, at the time this occurrence took place, was a defendant in the mail fraud scheme that I referred to in my opening remarks. There were, I believe, 19 defendants that we started out with. We had received information from an informant that a contract had been let on Fidanzi under the belief that Mr. Fidanzi was one of, if not our major, that is the Government's, major witness.

Appropriate law enforcement agencies then, as Mr. Jaroszewski has referred to, began a protective surveillance of Mr. Fidanzi. The case had resulted from a multifaceted investigation by a number of investigative agencies. After about approximately 6 or 7 weeks, Mr. Fidanzi told the agents in no uncertain terms he didn't want them to be bothering him any more.

Protective surveillance was terminated and Mr. Fidanzi was terminated not too long after that.

Senator PERCY. Could you supply the first name of Mr. Ferraro?

Mr. JAROSZEWSKI. Tony Ferraro was his name.

Senator PERCY. His name was what?

Mr. JAROSZEWSKI. Tony Ferraro.

Mr. MURTHA. His name is Richard, Senator.

Senator PERCY. Is Tony the correct first name?

Mr. MURTHA. I think, Senator, it is Richie or Richard Ferraro.

Senator PERCY. Do you know where Richie Ferraro is today?

Mr. MURTHA. He's been missing for 3 or 4 years. He is believed to be—

Senator PERCY. How did Fidanzi die? Do you know the circumstances?

Mr. MURTHA. He was killed in a Standard Oil station in Chicago Heights. The accounts at the time were that he was in this filling station, unknown individual came in. He, Fidanzi, shouted, "Oh my God," apparently recognizing his assailant. He was shot once in the main body of the filling station, ran into the lavatory and attempted to protect himself and was twice more shot in the head.

Senator PERCY. They shot him twice more in the lavatory?

Mr. MURPHY. Right.

Senator PERCY. After the Fidanzi murder, did you become more accepting of the violent actions of your business associates? Did you get used to violence?

Mr. JAROSZEWSKI. No; that made me very wary of what I was getting into after being asked to participate in Fidanzi's murder. I was very reluctant and didn't want to get involved any further than what I was.

Senator PERCY. Did you make it clear to Ostrowsky that you didn't want to be involved in any more murders?

Mr. JAROSZEWSKI. In a personal conversation, I asked him not to involve me in that sort of situation. He just shrugged his shoulders and made no comment.

Senator PERCY. In so advising him that you didn't want to become involved, were you concerned that you may be jeopardizing yourself?

Mr. JAROSZEWSKI. You mean, was I limiting our business partnership—

Senator PERCY. Were you jeopardizing your own life by saying to him I don't want to become involved any further in murders?

Mr. JAROSZEWSKI. I felt we were friends at that time, and that wouldn't jeopardize me personally, but I felt that if I stayed in organized crime, eventually this could happen to me.

Senator PERCY. Did Ostrowsky ask you to take part in the coverup of any other violent activities?

Mr. JAROSZEWSKI. Yes.

Senator PERCY. What were these?

Mr. JAROSZEWSKI. The day after Labor Day weekend, Steve and I had returned from the Playboy Club in Geneva, Lake Geneva, Wis., and we met Billy Dauber, again at the Holiday Inn in Lansing. There I was informed that Billy Dauber had killed a man named Croach.

Senator PERCY. What was his first name?

Mr. JAROSZEWSKI. Roger Croach. He indicated to me that Billy had killed this individual and that he wanted me to dispose of the car again.

Senator PERCY. Did he tell you why he was killed?

Mr. JAROSZEWSKI. He also was killed—well, he was killed because Billy Dauber felt that—he was having legal problems at the time—and he felt that Roger Croach couldn't handle the heat, the legal heat that was coming down.

Senator PERCY. He wasn't mentally prepared to handle it?

Mr. JAROSZEWSKI. Right. Billy Dauber felt—

Senator PERCY. So, therefore, he was concerned that he might go to pieces on him?

Mr. JAROSZEWSKI. Yeah; that he might turn into an informant.

Senator PERCY. Did you pick up Croach's car?

Mr. JAROSZEWSKI. Yes, at the Holiday Inn; I was met there by Steve, Billy Dauber, Schnadenberg, and another man—Marek was his last name. I don't recall his first name. The situation was explained to me about Croach being killed and we went through the procedures of how they wanted me to do it, where the car was, and so forth. It was indicated to me the car had been setting for a while, the plates would probably have been on the hot sheet by then, the police department's hot sheet, so we picked up a different plate at Steve's house.

We then drove over to Ferraro's house. There they had the car parked in a rear garage. It was a 1972 Cadillac.

Senator PERCY. It was a 1972 Cadillac; what model?

Mr. JAROSZEWSKI. Coupe Deville.

Senator PERCY. When did you chop Croach's Coupe Deville up?

Mr. JAROSZEWSKI. I picked up the car that day and chopped it; in fact, I chopped it that evening and dispersed the parts, part of them, in east Gary—East Gary Auto Parts. The ones that I could sell easily, I sold to Calumet Auto Parts in Hammond for \$700, and that's how that car was disposed of.

Senator PERCY. Where did you take the parts? When was that? Was that the next day?

Mr. JAROSZEWSKI. Yes. The next day I took the specific parts where I took the clip, the cowl, the interior—to East Gary Auto Parts.

Senator PERCY. Could you tell us where you chopped the car?

Mr. JAROSZEWSKI. That car was chopped in my shop at 208 Scott Street. This was a new location I was operating out of.

Senator PERCY. Where did you deliver the parts the next day?

Mr. JAROSZEWSKI. The clip, the cowl, the interior was delivered to East Gary Auto Parts; the front end, the bumpers and doors were delivered to Calumet City Auto Parts; and I received \$700 for those parts.

Senator PERCY. Did everything, in your judgment, go smoothly in the delivery process?

Mr. JAROSZEWSKI. The delivery of the parts?

Senator PERCY. In delivering the parts, did everything go according to what you had planned?

Mr. JAROSZEWSKI. Yes. Everything that I wanted to do worked out fine.

Senator PERCY. Could you tell us if Croach's body was ever recovered?

Mr. JAROSZEWSKI. I don't know. Yes, it was.

Mr. MURTHA. It was Senator.

Senator PERCY. At this point, you were pretty mixed up in violence which you hadn't foreseen when you got into this business. Did you consider getting out of the chop-shop business entirely at this point?

Mr. JAROSZEWSKI. Yes. After having to chop another car of a person who had been murdered, I felt that this—I was getting in too deep and felt that I needed to do something about it. Shortly—in fact, in the same period of time I was made aware of a jeopardizing situation; in fact, my own murder. I was advised of that by the FBI, and U.S. attorney, that this was going, something that was going to happen to me.

Senator PERCY. They told you that something was going to happen to you? Did they specifically say that you were going to be killed, and if so, when?

Mr. JAROSZEWSKI. Through information from the FBI they were sure that that evening, at a meeting that was arranged by Steve Ostrowsky, I was going to be murdered. Then they subsequently proved that fact.

Senator PERCY. Finally, did it occur to you that Ostrowsky would kill you, a close business associate, without first giving you a chance to explain yourself?

Mr. JAROSZEWSKI. It was the practice of the organization that individuals wouldn't stand in the way of profits and the forward movement of the organization.

Senator PERCY. Senator Nunn, at this point I wonder if either you or Senator Cohen would like to question Mr. Frank Murtha further?

Chairman NUNN. I just want to ask one other question of your witness here. When you talked about the organization and the understanding and so forth, so many people associate organized crime with the Valachi hearings, the taking of the blood oath, the so-called Mafia, which has certain ethnic connotations. You are not describing an organization here that is in the pattern of the so-called Mafia, are you?

Mr. JAROSZEWSKI. No. I have never been been aware of any of that sort of thing in this organization.

Chairman NUNN. But this was organized crime, in your opinion, in its truest sense?

Mr. JAROSZEWSKI. That is correct.

Chairman NUNN. You never took any kind of blood oath or anything of that nature?

Mr. JAROSZEWSKI. No. I did not.

Chairman NUNN. No ritual involved?

Mr. JAROSZEWSKI. No, sir.

Chairman NUNN. You never referred to each other as part of the family?

Mr. JAROSZEWSKI. No. That reference was never made.

Chairman NUNN. But the general operation was in highly organized form, and it was understood that if anyone crossed the so-called organization they would be paid for with retribution, including death?

Mr. JAROSZEWSKI. That is correct.

Chairman NUNN. Thank you.

Senator COHEN. Senator Percy, I have just a couple of questions to clarify the record. It was indicated that everything went smoothly as far as the cutting up of Croach's vehicle and the delivery of the parts according to schedule. Were you, Mr. Jaroszewski, put on notice that Dauber and Marek had been indicted for murder?

Mr. JAROSZEWSKI. Yes. I was told.

Senator COHEN. After you had cut the car up and were supposed to deliver it to the Calumet Auto Wrecking Co., what happened?

Mr. JAROSZEWSKI. I was told that they—the next day I was told that they were indicted for the murder of Croach.

Senator COHEN. Croach?

Mr. JAROSZEWSKI. The car that I had cut. That he was indicted for murder, and I assumed that was at that point in time that it was for Croach.

Senator COHEN. This is 1 day after the murder, then?

Mr. JAROSZEWSKI. Yes. The next day. I then was asked after delivering the parts that I indicated to the two different yards, I was asked to go to Calumet Auto Parts and pick up a set of tires that were left there by Dauber and Schnadenberg, which they, which Steve felt were possibly—left imprints at the murder scene, and asked me to destroy those tires, which I did.

Senator COHEN. Was that Ostrowsky who called and told you that Dauber and Marek had been indicted?

Mr. JAROSZEWSKI. That is correct.

Senator COHEN. When did the FBI contact you in this regard? You indicated to Senator Percy that you were swimming in violence and that you had even given consideration to getting out of the business. He asked you what finally led you to cooperate, and you said that you were told that Ostrowsky was planning to kill you. How did the FBI make contact with you? How did they know that you were involved in the so-called outfit? When did that contact first take place?

Mr. JAROSZEWSKI. The first contact I had with the FBI was with Mike Balgley. In that questioning at the South Chicago Police Department. They became aware of my situation with Steve and the situation that I was to be murdered that night.

Senator COHEN. Which night is this now?

Mr. JAROSZEWSKI. Pardon?

Senator COHEN. Which night is this? You have the murder of Mr. Croach; you have the vehicle delivered to you to be chopped up the next day; you cut the car up, delivered the parts; you received a call that Mr. Marek and Mr. Dauber had been indicted 1 day after the murder of Croach; and what I want to know is, when did the FBI then make contact with you? That same day, the next day?

Mr. JAROSZEWSKI. No. That occurred about 2 weeks after that period of time. I believe it was around the 20th of September and the Croach car was cut the 3d, I believe, or 4th of September.

Senator COHEN. Had you cooperated with the police in that 2-week period, with the FBI?

Mr. JAROSZEWSKI. No. The only contact I had with the FBI was the day that they contacted me and told me that my life was in jeopardy.

Senator COHEN. As I understand it, the Bureau told you that Ostrowsky was planning to kill you because he learned of your cooperation with the FBI. What cooperation had you given the FBI at that time that would have allowed Mr. Ostrowsky to want to kill you?

Mr. JAROSZEWSKI. I received a phone call while I was away from home from the FBI.

Senator COHEN. When did you receive the call?

Mr. JAROSZEWSKI. It had to be the 20th of September. My girlfriend at that time took the call. The FBI agent at that time indicated that he wanted to talk to me, and the business that they wanted to talk to me about was more information on the Pronger vehicle, which I had given them earlier.

She, in turn, called Steve Ostrowsky at the salvage yard and told him that the FBI was looking for me. He questioned her as to who it was, what the situation was, and she told him what she knew. Ostrowsky, in turn, called the FBI, posing as Alex Jaroszewski, and asked the agent what he wanted, and the agent told him what he wanted, not knowing that it wasn't me, and indicated to him that, you know, out of previous conversations and so forth and so on, and basically told Steve Ostrowsky that I was an informer.

After realizing—I don't know precisely how it came about, but after realizing that he was not talking to me, the agent was not in fact talking to me, he contacted me and set up a meeting to make me aware of my situation, that they in essence created.

Senator COHEN. That is all I have, Mr. Chairman.

Senator PERCY. Just a few questions of you, Mr. Murtha. Did you believe that Jaroszewski's life was in real jeopardy?

Mr. MURTHA. Yes. We were very seriously concerned about it. I think Senator Cohen has brought out some of the details, but when we became aware that this had been this imposter type thing taken by Mr. Ostrowsky we were very much concerned about his life.

Senator PERCY. At the time you met with Mr. Jaroszewski, were you aware of his role in the disposal of Croach's car?

Mr. MURTHA. Not at that time. We, in subsequent interrogation, developed that from him, but we were not specifically aware of that at that point in contact.

We had an investigation which had commenced just shortly after Labor Day weekend, as a result of the testimony provided by another witness over in Indiana, who had been a witness to several of these murders. But we did not realize that Mr. Jaroszewski had a dovetail into the Illinois side of this, the disposal of Mr. Croach's car.

Senator PERCY. Did Mr. Jaroszewski prove to be an honest and credible witness?

Mr. MURTHA. Very much so.

Senator PERCY. Do you find his testimony today to be accurate?

Mr. MURTHA. Yes.

Senator PERCY. In putting your case together, did the Federal Government locate any parts of Croach's chopped car?

Mr. MURTHA. We did with information that was supplied by Mr. Jaroszewski. We recovered, as I recall, the front end, the seats. The engine and the transmission were still in his chop shop up on Scott Street.

The seats were recovered from California; the front end from Indiana; but we did manage to recover that much of the vehicle.

Mr. SHAFER. I would like to submit for the record a copy of the freight receipt, canceled check, and a photograph of the front end and the seats, which were recovered by the Federal Bureau of Investigation in Los Angeles, from Superior Auto Interiors, Inc. That is 40 East, South Lamont Avenue in Los Angeles. We would now like to make the receipt, the check, and these pictures a part of the record.

Senator PERCY. Without objection, they will be entered in the record.

[The documents referred to were marked "Exhibit Nos. 16, 17, and 18" for reference and may be found in the files of the subcommittee.]

Senator PERCY. Were the defendants in the Croach case case convicted?

Mr. MURTHA. Yes; they were.

Senator PERCY. What sentence did they receive?

Mr. MURTHA. Five years, maximum.

Senator PERCY. Were they also tried for the murder of Roger Croach?

Mr. MURTHA. They were not tried for the murder of Roger Croach. No indictment was brought there. Mr. Dauber and Mr. Marek were indicted and tried in Indiana for the murder of, I believe his name was Michael Regan, but there was no murder indictment with respect to Mr. Croach.

Senator PERCY. Mr. Jaroszewski, when were you placed in the Federal witness protection program?

Mr. JAROSZEWSKI. I was placed in the program in September 1972.

Senator PERCY. Did you indicate where Mr. Ostrowsky is today?

Mr. MURTHA. He was murdered. I don't know the exact date. I am certain staff has it. He was murdered in Chicago, I believe in 1976 or 1977.

Chairman NUNN. Senator Percy, may I ask one question at this point about the witness protection program? It is one of the areas we have looked into in the past, and are going to continue to look into in the future. Could you tell us, in your opinion, whether that program has fulfilled your needs and expectations as a person who has cooperated with law enforcement?

Mr. JAROSZEWSKI. I feel that I have started a new life, and have a comfortable life. I, by no means make, 100-and-some thousand dollars a year anymore, but I am very pleased with the results of the witness program. I found it a tremendous help. Without it, I wouldn't be here.

Chairman NUNN. So you haven't felt let down by the program? In your case, it has worked well?

Mr. JAROSZEWSKI. Yes. It has.

Chairman NUNN. I am encouraged to hear that.

Mr. MURTHA. It is not without its pitfalls, Senator. We have had our problems.

Chairman NUNN. We have heard an awful lot about the pitfalls of that program.

Senator PERCY. Just to finish up, Mr. Jaroszewski, did the murder of your former associate surprise you?

Mr. JAROSZEWSKI. No. It did not.

Senator PERCY. Why not?

Mr. JAROSZEWSKI. I felt that anybody was vulnerable in the organization, it didn't make any difference who you were or who you knew.

Senator PERCY. As a former member of the Chicago outfit, could you tell me why the chop shop operation is particularly attractive to organized crime?

Mr. JAROSZEWSKI. I believe the money, the low risk, the ease in which it is done is all, you know, points that encourage organized crime to go into that field. The profits are tremendous and the risks are very low.

Senator PERCY. Do you anticipate that organized crime will continue its involvement nationwide in chop shop operations?

Mr. JAROSZEWSKI. Yes. I believe so.

Senator PERCY. Why do you think this involvement will continue?

Mr. JAROSZEWSKI. I just believe that as long as there are big profits in the auto theft business, organized crime will grow and spread.

Senator PERCY. So long as it is as easy an operation and is potentially profitable, it will continue to flourish?

Mr. JAROSZEWSKI. That is correct.

Senator PERCY. As you probably know, the stolen parts blackmarket has spread dramatically since the time you left this business. Has this nationwide growth surprised you at all?

Mr. JAROSZEWSKI. No. It really has not.

Senator PERCY. Mr. Murtha, as a former prosecutor with a good deal of experience in chop shop cases, do you believe there are any measures which would positively impact on chop shop operations?

Mr. MURPHY. I think the legislation that is certainly under consideration here would be of immense help.

In the cases that we were able to successfully prosecute, we either had an inside informant such as Mr. Jaroszewski or individuals were able to identify some of their parts because of a particularly significant cigarette burn. We did not have available to us ways of positively identifying except on the basis of inside information on the parts, their origin, who they belonged to, when it would be stolen. So I certainly feel quite strongly that the legislation that is under consideration here would have significant impact and aid both local and Federal prosecutors in certainly dampening the impact of what is a major crime.

Senator PERCY. The final question, then, Mr. Jaroszewski, are there measures which can be taken to deter professional chop shop operators, and if such measures had been in effect at the time you went into the business, do you think you might not have entered the business?

Mr. JAROSZEWSKI. If all the sheet metal on the vehicles at that time were numbered, they would actually have been worth nothing, just like the motor and transmission and the frames. So I feel that the numbering of all sheet metal on the vehicle is probably one of the best deterrents of anybody stealing a car to resell it for profit. And if that was the situation, when I was in that business, no.

You know, I could have made the opposite decision. I wouldn't have gone into that type of business and taken those risks.

Senator PERCY. Again, Mr. Jaroszewski, on behalf of the subcommittee, I want to thank you very much indeed for your cooperation and help. Mr. Chairman, Senator Cohen, I think one of the powers that a U.S. Senator has, one that I did not appreciate 13 years ago when I came here, is the ability to recommend Federal judges and U.S. attorneys. I have made scores of recommendations, none that I am more proud of than that of Judge Bauer, I remember bringing Judge Bauer out to my home in Illinois on a Sunday afternoon and asking him to give up his job as county judge in Du Page County to take a job as U.S. Attorney. He said, "Do you realize what you are asking me to do, to give up a judgeship? When I go to the church every Sunday morning they say, 'Good morning, Your Honor,' and you want me to be on the firing line as a U.S. attorney?" He did accept, though. He did a brilliant job and became a district court judge and is now on the Circuit Court of Appeals. I will mention your cooperation here to him. I am going to see Governor Thompson, who is also your boss—

Mr. MURPHY. He was my law professor originally.

Senator PERCY. I will see him this afternoon. I will say hello for you. We are really very proud of the work that you have done and very much appreciate your cooperation with the subcommittee.

Thank you very much.

Chairman NUNN. I want to ask one question concerning your opinion of the difference between so-called organized crime and that we have known as the Mafia or Cosa Nostra. You said that you were not part of any kind of family or organization that would be considered the Mafia; is that right?

Mr. JAROSZEWSKI. That is correct.

Chairman NUNN. Were any of the other associates part of that organization or any similar organization to your knowledge? For instance, was Jimmy Catuara a member?

Mr. JAROSZEWSKI. I felt that Jimmy Catuara definitely was part of the high echelon type Mafioso situation that you are talking about and also Billy Dauber, but to actually know that for a fact, you know, I don't, I have no information.

Chairman NUNN. You felt that both of them were, but you do not know that from your own personal knowledge as a fact?

Mr. JAROSZEWSKI. That is correct.

Chairman NUNN. What happened to Jimmy Catuara?

Mr. JAROSZEWSKI. He is no longer alive.

Chairman NUNN. Was he murdered?

Mr. JAROSZEWSKI. Yes, he was murdered.

Chairman NUNN. What was that?

Mr. JAROSZEWSKI. I don't know the precise date.

Mr. MURPHY. I believe it was July 1978.

Chairman NUNN. Thank you very much.

I want to thank you on behalf of the subcommittee, both of you, for being here and you greatly enhanced our hearing.

Mr. SHAPIRO. I would like to submit for the record Mr. Jaroszewski's arrest records and other information corroborating his statement, as an exhibit.

Chairman NUNN. Without objection.

[The documents referred to were marked "Exhibit Nos. 19 and 20A-20K" for reference. Exhibits 19 and 20B-20K may be found in the files of the subcommittee; exhibit 20A follows:]

#### EXHIBIT No. 20A

##### AFFIDAVIT OF ALEX JAROSZEWSKI

I, Alex Jaroszewski, freely and voluntarily make the following statement to Howard S. Marks and Richard Shapiro, who have identified themselves to me as members of the staff of the United States Senate Permanent Subcommittee on Investigations of the Committee on Governmental Affairs. No threats, force, duress, promises or representations have been used to induce me to make this statement.

I am a Chicago-area native, raised on the South Side of Chicago. I attended Chicago Vocational High School. I held various jobs, and at age 20, I found myself married, with three children, and making \$10,000 a year as a salesman for the National Bread Company. I was having trouble making ends meet and prospects for a comfortable financial existence was not good. My brother-in-law, Eugene Spencer, was in a similar situation. We both agreed it was time to make a major change in our lives, and began looking for promising business opportunities.

Gene knew Steven Ostrowsky, the co-owner of South Chicago Auto Parts, because they rode motorcycles together on some weekends. I also rode a motorcycle, and had met Ostrowsky on several occasions at Calumet Park where a group of motorcycle enthusiasts would meet on Sundays for a social get-together. We all knew that Ostrowsky had made a small fortune by stealing and cutting cars and selling the stolen parts. Ostrowsky made no secret about his occupation. So, Gene and I decided in early 1970 to approach Steve to discuss the possibility of going to work for him. Never having been involved in criminal activity, I was initially hesitant about approaching Ostrowsky. However, because I perceived auto theft to be a non-violent crime, which harms the insurance companies rather than the individual, I agreed to discuss the matter further.

Gene arranged a meeting with Ostrowsky in a coffee shop in the Roseland area of Chicago. Ostrowsky explained his operation to us, if a repair shop needed a

specific part, it would place a request for this part from a local salvage yard. If the salvage yard did not have the requested part in inventory, it would request the part over the long lines which are private party telephone lines by which salvage yards communicate. If an expensive part was requested, for instance, a late model Cadillac front end, Ostrowsky would announce over the line he had the part in stock and he would then agree upon a price and arrange for delivery. Ostrowsky was a member of three long lines connecting nearly a dozen Midwestern States. Repair shops from as far away as Pennsylvania, Missouri, and Tennessee would regularly call him on the phone and request body parts. Each day, he and his partner, Harry Holzer, would then compile a list of the parts they needed, and at the end of each work day, they would give their thieves a list of cars which were to be stolen that evening.

Ostrowsky said the thieves were paid \$100 to steal and deliver a car; \$500 if the car was delivered dismantled. The salvage yard would then deliver the parts to the various body repair shops and salvage yards throughout the Midwest. Ostrowsky told us we could easily steal and chop a car a day, and earn \$250 a piece each day we worked. He said he would personally teach us how to steal cars, and would send over a chop shop expert to demonstrate how to dismantle them. He also promised to loan us money to buy equipment and to rent a garage.

The prospect of making \$4,000 a month—five times what my salary was at the time—was extremely attractive. However, I expressed concern about the possibility of going to jail. Ostrowsky told me that Cook County judges treat auto thieves leniently and the risk of going to prison was extremely small. As a rule, after a first conviction for auto theft, the judge sentences the thief to a small fine. Not until the third conviction was a thief in any real danger of going to jail. Ostrowsky said that after two convictions, we could still leave the business if we wanted to. The fact that Ostrowsky had never once been convicted for an auto theft-related charge in more than 10 years of stealing convinced us that the chop shops were just the type of business we were looking for.

Ostrowsky told us to come to his salvage yard the next day and he would show us the tools we needed to buy for stealing cars. He showed us photographs of the various tools listed in a Sears catalog. We then went to a Sears store on East 79th Street in Chicago and bought a dent-puller, a nail-puller, a set of screwdrivers and needle-nose pliers. That night, we went out with Ostrowsky looking specifically for a 1969 Buick Riviera. We found one on the South Side of Chicago. Ostrowsky got out of his car, pulled the doorlock out of the passenger door with the nail-puller, and placed a dummy lock back in the hole so it would not be apparent the lock had been removed. He brought the doorlock over to our car and drove a few blocks away. He stopped the car and showed us how to read the numbers on a lock tumbler. After reading the numbers, he demonstrated how to cut a key with his keypunching machine. Cutting the key took only a couple of minutes. We then drove back to the Riviera; Ostrowsky opened the door, started the ignition in seconds, and drove the car to a drop point near his yard. Someone would pick up the car in the morning to chop it.

Ostrowsky advised us that we should always cut a key when stealing General Motors cars because it was difficult to pull GM ignitions out of the steering column with a dent-puller. However, he said it was unnecessary to cut keys for Fords because a dent-puller can remove Ford ignition locks in seconds. Once the ignition lock is removed, the car can be started by placing a screwdriver in the ignition slot and turning it like a key.

Ostrowsky took us out the following two evenings and supervised us as we stole cars. During the day we sat around South Chicago Auto Parts and practiced reading tumblers and cutting keys. Having learned how to steal, Ostrowsky next advised us on finding a location for a chop shop. He gave us certain specifications. We were told to find a garage in a relatively secluded area, which had enough room to comfortably chop a car, and a high enough roof to allow a truck to be driven in. We found a two-car garage which fit these specifications at 3858 W. 158th Street in Markham, Illinois, a small community south of Chicago. Ostrowsky inspected the garage and said it was ideal. He told us to drop by his yard so we could talk with someone who would train us in chopping cars.

At the yard, we spoke to Richie Zink. Zink advised us to purchase an acetylene torch and oxygen tanks, various cutting tools, drills, hoses, and floor jacks. Ostrowsky loaned us the money for the purchase of these tools. Soon after our purchase, we stole another Riviera at Ostrowsky's order and stored it in the garage. Zink met us at the garage the next day. He emphasized that the first step

any good chopper makes is to obliterate all Vehicle Identification Numbers (VINs) on the car and destroy all personal belongings which could be identified by the owner. Thus, if the police enter the garage while a car is being dismantled it is very difficult to prove the car is stolen. Acting on Zink's advice, we first removed the VIN plate on the Riviera's dashboard and obliterated it with an acetylene torch. Next, the VINs on the engine and transmission and frame were melted down before these parts were even removed. Then, we spraypainted over the handwritten VINs located on the inner wall of the fender. All personal paraphernalia were placed in a trash can and burned. After destroying all identifying evidence, Zink began to chop the car.

First, he unbolted the front end, which is the entire front section of the car including the fenders and the hood. This is the most valuable part of the car because it is the section most frequently damaged in accidents. The windshield was then cut out and the doors unbolted and removed. Next, the seats were removed. Then, with a torch, he cut the posts which connect the roof to the dashboard and cut through the floor width-wise in the front seat area, enabling him to remove the entire cowl. The cowl is the casing around the dashboard section which separates the passenger compartment from the engine area. This left him with the roof section of the car connected to the back end which is often referred to in the salvage business as a rear clip.

After dismantling the car, the unmarked parts were then loaded onto a rented truck and delivered to South Chicago Auto Parts. The engine, transmission, and frame, or all the numbered parts, were loaded onto another truck and brought to a pulverizing company which purchased the parts for scrap iron. It took us six hours to chop that car, and the garage was an absolute mess. But, within a few weeks, Gene and I were able to dismantle a car in half this time, cleanly and efficiently.

Having our chop shop in order and feeling confident about our ability to steal late model cars, we opened the shop for full operation. We stole and chopped a car a day, five days a week. My life turned completely around. Even though I was working short hours, I was making more money than I ever imagined and enjoying my work more than any previous job I had held.

Initially, the most time-consuming chore was locating the model car which Ostrowsky wanted. However, after a couple of months, we sharply reduced the time it took to locate cars. Mentally, I built an index where certain vehicles were located. For example, if I saw a late-model white Cadillac Seville in a driveway, I'd record in my mind the car and its location so that when I needed a white Seville, I'd know exactly where to go.

We spent a good deal of our time in Chicago's Gold Coast and North Lake Shore Drive areas, because that is where an abundance of luxury cars were located. The parts from luxury cars, like Cadillacs and Lincolns, sold for the highest prices. For example, Ostrowsky could sell a Lincoln front end for as much as \$2,000, whereas front ends for the mid-sized cars sold for around \$1,000. However, many of the luxury cars on North Lake Shore Drive were not easily accessible because most of these cars were kept in closed garages, manned by an attendant. Ostrowsky developed a bold and clever ploy for getting the stolen cars past the garage attendants. Holzer and Ostrowsky rebuilt a car so that it would be identical to a detective's car used by the Chicago Police Department. Using this car, one of Ostrowsky's thieves would enter a garage on foot and before the attendant questioned him, we would pull up in our detective car, dressed in suits, and wave to the attendant to let him know the thief was under surveillance. The attendant would let the thief steal the car and drive out of the garage because he felt assured that the thief would be picked up soon thereafter.

This ploy also worked on uniformed Chicago policemen. Occasionally, when we went Downtown, the police would spot one of us stealing a car. But as they pulled over to make an arrest, they would notice our detective car parked near the car being stolen. Rather than blow the detective's surveillance, the patrol car would pull away. In the two years in which we used the detective car, I was never once stopped by a garage attendant or a policeman. Ostrowsky told us that on one occasion a patrol car did chase the stolen car. But, Ostrowsky—who was driving the detective car—ran the patrol car off the road.

In addition to receiving parts from chop shops, South Chicago Auto Parts used to purchase stolen parts from less sophisticated thieves who stripped parts off of the cars. Ostrowsky had about 25 strippers regularly delivering parts to him.

These thieves would usually strip the doors, the front ends, and the interior out of late model cars rather than stealing the entire vehicle. Many times these partially stripped cars would be taken to repair shops which regularly purchased parts from South Chicago Auto Parts. As a consequence, Ostrowsky occasionally sold stolen parts to repair shops which placed them back on the car from which they had been stolen. One time this practice nearly backfired for Ostrowsky. He received an order from a local Cadillac dealer for doors, a front end, and interior for a black Cadillac Sedan DeVille. A stripper had just delivered these requested parts to Ostrowsky's yard. The parts were quickly trucked over to the dealership before anyone at the yard had an opportunity to clean and inspect them. Several days after the parts were delivered, Ostrowsky was called by the Cadillac dealer's Service Manager who told him the owner of the car had identified the replacement parts as the stripped parts from her car because she found her brand cigarette butt with her color lipstick smudges on it in the ashtray on the "new" door. Fortunately, the matter was never brought to the attention of the police.

The economic demand for our replacement body parts was overwhelming for several reasons. First, South Chicago Auto Parts often sold late model body parts from 100 to 200 percent below the manufacturers' price for new replacement parts. For example, the same door Ostrowsky would sell the repair shop for \$50 might end up costing \$150 if it were purchased from General Motors. Second, South Chicago would deliver the requested customized parts the day after they were ordered, while it took GM, Ford, or Chrysler at least four weeks for delivery. Finally, the stolen parts were already assembled. For example, the front end would be delivered in one piece, whereas a front end ordered through the manufacturer would come in approximately a dozen parts and take a body man several hours to assemble. Given these factors, Ostrowsky's profit potential was only limited by how many thieves he could employ.

Ostrowsky and his partner, Harry Holzer, received stolen body parts from six different chop shops of which I was aware. I assumed that the other operators were all stealing and chopping approximately the same number of cars that Gene and I were. My first year in the chop shop business, I estimate that Gene and I stole more than 200 cars. Therefore, multiplying that by six, I would estimate that the parts from more than 1,200 stolen cars were distributed through South Chicago Auto Parts in just my first year of working for Ostrowsky. This number does not even count the parts of cars that were stripped during the year by people working for Ostrowsky.

I first learned about organized crime's involvement in chop shop operations in the spring of 1971. Ostrowsky and I used to eat breakfast once a week with Billy Dauber, another salvage yard owner who distributed a high volume of stolen parts in Chicago, Indiana, Kentucky, and Florida. At one of these breakfasts, Ostrowsky informed me that he and Dauber managed the chop shop operations in the Chicago area for Jimmy Catvara, the organized crime boss of Chicago's South Side. He added that he and Dauber were also enforcers for Catvara.

In the summer of 1971, I was called by Ostrowsky who told me to meet him at the Lansing, Illinois Holiday Inn for dinner. Ostrowsky quickly approached me when I walked into the restaurant. He asked me if I had enough oxygen and acetylene to melt three guns. I said I did and he then took me over to the table and introduced me to six people. At the table were Billy Dauber, Jack Schandenber, Bob Ostrander, Bob Brecka and two others whose names I cannot recall. The only person at the table I knew besides Ostrowsky was Dauber. They were talking about Bob Pronger, a salvage yard owner on Chicago's West Side. I had been worried that Pronger might be an informant because he had been a little too curious about my affairs. Just a few days earlier, he had asked Ostrowsky's partner, Harry Holzer, if Holzer was running the chop shop at 150th Street in Markham. That, of course, was my chop shop. So, during a lull in the conversation, I asked if anyone thought that Bob Pronger would identify the location of my chop shop to the police. After asking what appeared to be a simple question, I was kicked in the shins under the table by both Dauber and Ostrowsky. Dauber leaned over to Ostrowsky and said "didn't you tell him?" Ostrowsky then turned to me and told me to shut up because Pronger had just been murdered.

Afterward, Dauber, Ostrowsky, and I drove to Ostrowsky's house in Dauber's 1971 Cadillac's Fleetwood. As we got out of the car at Ostrowsky's house, I

noticed Dauber carrying a brown paper bag which, from the sounds it was making, seemed to contain metal objects. After a short stop at Ostrowsky's home, we went to Glenwood, Illinois, a southern suburb of Chicago where, according to Ostrowsky, Pronger's car had been dropped. It was parked in the driveway of an apartment complex. Ostrowsky drove the car to my chop shop in Markham. I rode with Ostrowsky. Dauber followed us in his car. I opened the garage door and Ostrowsky drove the car into the two-car garage. Another stolen car was already on one side of the garage. Dauber then brought in the brown paper bag. Dauber and Ostrowsky told me to get a cup of coffee and lock the door behind me. When I returned to the garage 15 minutes later, we all drove to Blue Island, Illinois in Dauber's car where Dauber and Ostrowsky were going to throw what I believed to be the melted gun parts in the Calumet Sag Canal. I was dropped at a bar near the canal and told to get a drink. They picked me up a few minutes later. We went to a restaurant and had a few drinks. We then returned to the Holiday Inn where Dauber dropped off Ostrowsky and met at our cars. Ostrowsky told me to chop Pronger's car and load every piece of it on one truck. He added that he wanted me to burn the rug from the back seat. Ostrowsky later told me that after he and Dauber had shot Pronger in Pronger's car, they had placed his body on the floor of the back seat. The body was left there for a few hours until they later disposed of it. Although they cleaned the rug at a car wash, Ostrowsky wanted it burned because he thought it might have traces of Pronger's blood. He also said that Catuara had ordered the murder because he believed Pronger had cooperated with the FBI.

My brother-in-law and I chopped Pronger's car the next day and loaded the parts on a truck rented from E-Z Haul. I then drove the truck to the Holiday Inn in Lansing the following morning while Gene took the carpet to a field in Hammond, Indiana and burned it. Dauber and Ostrowsky met me at the Holiday Inn. While I followed in the truck, Ostrowsky and Dauber drove in Ostrowsky's car to a former meat packing plant where Jack Schnadenberg, an associate of Dauber, met us. Together, the four of us loaded the parts from Pronger's car onto a 40-foot semi-trailer that Schnadenberg was driving. Dauber kept the front seats and the spare tire from Pronger's car for himself.

I had no problem accepting my first step into organized crime. I felt it was a step to safer grounds. As long as I worked for the Outfit—the name for Chicago organized crime—I had protection. If I were arrested, I had the weight of Jimmy Catuara in my corner. If someone attempted to extort money from me, all I had to do was notify Ostrowsky and the problem disappeared.

On August 5, 1971, approximately six months after we opened the Markham chop shop, we were raided by investigators from the Cook County Sheriff's Police Department. They came by our shop while we were in the process of chopping a freshly-stolen Cadillac. We were able to slip out the back door while they were busting down another door. We fled on foot, got to a phone, and called Ostrowsky to explain our predicament. He told us to come to his house in Homewood, Illinois, while he and his wife picked up clothes for us from our homes. Then, at Ostrowsky's advice, we went to the Lansing, Illinois Holiday Inn to stay out of sight for a few days. He told us not to worry, that he would hire a lawyer for us and would take care of everything. We spent a few days swimming and partying at the motel. Ostrowsky paid us a visit after several days. He said we were going to be arrested sooner or later, but we might as well continue working until we were apprehended. So we did; in fact we even stole a red and white Cadillac out of the Holiday Inn parking lot.

Gene and I were finally arrested on August 12, 1971. However, our case was postponed a number of times and, fortunately for us, did not result in a trial.

After the bust of our Markham chop shop, it was difficult to work regularly. We did not have a garage which we could use on a steady basis. Occasionally, we would operate out of a chop shop near South Chicago Auto Parts run by a fellow I knew as the "Hillbilly," but most of the time we were idle. Gene decided to take the money he had accumulated and open a "head" shop in Indiana which sold pipes and papers and other paraphernalia for marijuana smokers. I began looking for another chop shop location. As it turned out, Ostrowsky found a vacant garage for me located near 208 W. Scott Street in the Old Town section of Chicago. The garage faced the alley connecting Scott St. and Goethe St. Ostrowsky also found me an assistant, Phil Regan, to help me in all phases of the operation.

Ostrowsky and I decided to change our method of operation. Instead of fencing parts at the salvage yards and emphasizing volume, we decided to distribute the

parts ourselves and attempt to increase the profit we made on each stolen car. We did this by primarily dealing with "body switch" operators instead of body repair shops or salvage yards. Whereas repair shops and salvage yards only purchase a part or two to repair a car partially damaged in an automobile accident, a body switch operator is interested in purchasing all the body parts of a car. These fellows go to insurance company auctions and purchase wrecked cars. These cars usually have undamaged frames, engines, and transmissions; however, the body on the car is often badly damaged. Far and away, the cheapest way of rebuilding a severely wrecked car of this type so that it can be resold is to replace the damaged parts with stolen parts. If the body parts were bought legitimately from the manufacturers their cost might be more than the showroom price of the identical car.

Ostrowsky figured that by selling all the body parts on a stolen car at once, instead of selling them over a period of weeks, part by part, he could significantly increase his margin of profit per theft. In addition, he could cut his partner, Harry Holzer, out of a share of the proceeds. He cultivated a clientele for his stolen parts package business by contacting known body switchers in the Chicago area and by corrupting legitimate automobile rebuilders, many of whom resided out of state. He would approach the legitimate rebuilders at the auctions and tell them they could net a larger return on their money if they bought his stolen parts. If they were interested, Ostrowsky would lay out our business operation—we would steal the identical make and model car that the rebuilder had purchased wrecked at the insurance auction. For example, if our client purchased a totaled 1971 Cadillac I would steal and chop a 1971 Cadillac and with the exception of the numbered parts, I would deliver the car to our client. After replacing the damaged parts with the stolen parts, the rebuilder would apply for a clear title. The car would be issued a new title in the name of the rebuilder. The rebuilt car would be virtually impossible to identify as stolen because the VINs on the engine, transmission, and frame would match the VIN plate on the dashboard and the VIN on the title. We received between \$2,000 and \$3,000 for each car we chopped and delivered.

It became a real challenge to spend all the money I made. I had divorced my wife and moved into my girlfriend's home in Hazel Crest, Illinois which I lavishly furnished. In addition, I sometimes spent thousands of dollars weekly on entertainment. It was nothing for me to take four couples out to dinner at a very expensive restaurant and pick up the tab. Ostrowsky and I also began frequenting the Playboy Club in Lake Geneva, Wisconsin on weekends. We took flying lessons in our free time. Eventually we bought a Piper four-seater, luxury airplane for our weekend trips. Neither of us had a pilot's license, but we weren't concerned; after all abiding by the law was hardly the way we led our lives.

I had no concern about tomorrow. I was living on a fantasy island and saw no end to the trip. Ostrowsky and I believed there was no problem that we could not overcome. If we had legal problem, he knew the people who could be paid off and we had the money to pay them. For example, on May 17, 1971 Gene and I had been picked up by the Chicago Police Department detectives for possession of burglary tools. Fortunately for me, some officers on the auto theft squad in the Area II district of Chicago, the South Side, were on the take from South Chicago Auto Parts. Each week an officer would come by the yard and pick up \$200. I witnessed the transactions on several occasions. So, after being hauled down to the police station, I called Ostrowsky to let him know of my predicament. Ostrowsky said he would take care of it. Within an hour of our arrest, we were released and our tools were returned. I know officers continued to take bribes because when I was arrested on January 13, 1972, Ostrowsky again was able to get me off the hook.

At the time of this arrest by Lt. Robert Fisher of the Chicago Police Department, I was teaching two new Ostrowsky recruits how to chop a car as I had earlier been taught. Ostrowsky called Lt. Fisher and struck up a deal with him. As Ostrowsky explained it, Fisher agreed to withhold some evidence against me in the preliminary hearings in exchange for \$5,000. Consequently, the case was thrown out. Since then, I have found out that Fisher cooperated with the federal government in the successful prosecution of 16 Chicago policemen in the infamous Bronsch case.

My initial cooperation with the federal government began soon after this arrest. While I was being held at the police station for questioning by Fisher, FBI Special Agent Mike Balgley paid me a visit. I became worried because I felt that if the FBI made a good case against me, Ostrowsky and I would not

be able to take care of the charges through bribes as we did in some of our local cases. The threat of being placed under investigation by the Bureau made incarceration a frightening reality. Consequently, I decided to cooperate with Balgley. I gave him some information with the belief that my cooperation would preclude him from investigating me further. I revealed to Balgley that Jimmy Catnara's personal car was rebuilt with stolen parts. I knew this to be the case because I had done the rebuilding.

In 1971, Catnara had mentioned to Dauber and Ostrowsky that he wanted a 1971 Eldorado. Ostrowsky purchased a wrecked 1971 Eldorado at auction. I transported the salvage vehicle to my shop at 208 W. Scott by means of a rented Ryder truck. Richie Zink and I stripped the car of all body parts in the interior and scrapped these parts. We removed the public VI and left the frame, engine, and transmission intact. After the wrecked Eldorado had been stripped, Gene and a second car thief who worked for Ostrowsky stole another 1971 Eldorado. Zink, Zink's brother, and I carefully dismantled this car. We then transferred all the stolen body parts from the stolen car to the frame of the salvage car and also installed the stolen interior. We then obtained a clear title from the Secretary of State's Office. With the title, the car was virtually as good as a legitimate car. The VINs on the engine, transmission, frame, and public VIN all matched the VIN on the title. It would have been almost impossible to identify the car as stolen by merely inspecting it. The only way a case could have been made against Catnara was through the information I provided.

Balgley verified the truth of my story through his own sources and an indictment was returned against Catnara in September 1972 for possession of a stolen motor vehicle.

In the meantime, I had reluctantly become more involved in the violent activities of organized crime. At the time Catnara was indicted for possession of the stolen Eldorado, he was also under indictment in a major fraud case along with other organized crime figures. Catnara believed that his indictment in the fraud case was based upon informant information provided by a member of the South Side organization who knew about Catnara's involvement. According to Ostrowsky, Catnara believed the informant was Guido Fidanzi and ordered him "hit" so he could not testify against him in court. Apparently, the job was delegated to Ostrowsky because he approached me one day and told me I was going to be the wheel man in the murder of Fidanzi. He said Catnara had already approved me for the job. The plan was to steal a car, locate Fidanzi, and then have Ostrowsky gun him down from the car I drove. The car would then be abandoned and the shotgun destroyed. I was petrified about being directly involved in a murder. I prayed that I would not have to go through with it. Fortunately, as we were planning Fidanzi's demise, we learned that the federal government had placed an around-the-clock surveillance on Fidanzi. This surveillance was maintained for several weeks which prevented us from getting near him. The surveillance was apparently lifted, however, because Fidanzi was murdered on August 8, 1972. I had nothing to do with the murder.

Unfortunately, within weeks after the Fidanzi murder, I found myself in the middle of another organized crime hit. On September 5, 1972, the Tuesday after Labor Day weekend, I was called by Ostrowsky who told me to meet him at the Lansing Holiday Inn for breakfast. I met Dauber, Ostrowsky, Jack Schnadenberg and Joseph Marek, another associate of Dauber in the motel parking lot. Ostrowsky explained that Dauber had stashed away a car belonging to Roger Crouch, an associate of Dauber, whom Dauber had "knocked-off" the previous weekend. Ostrowsky told me to go with Dauber, get the car, and chop it in the Scott Street garage. He also said I should drop by his house and pick up a set of license plates for the stolen car since it would be listed on the "hot sheet" of the police department.

I then drove to Ostrowsky's home in Homewood, Illinois, with Dauber and Marek following in Marek's car. After picking up the license plates from Ostrowsky's wife, Edie, we drove in Marek's car to Tony Ferraro's house in Riverdale, Illinois. In his garage was a 1972 brown Cadillac Coupe DeVille with Indiana license plates. I removed the license plates and placed the Illinois plates on Crouch's car.

I drove the Crouch car to my shop, removed the license plates, and locked the garage. That evening, Richie Zink and I chopped the car. We loaded all the unmarked parts on a specially-built truck Ostrowsky and I owned and drove to Herkie's Mobil Oil Gas Station (located at Glenwood Dyer Road and the Calmet Expressway) and parked the truck there for the night. The following day,

Wednesday, September 6, I picked up the truck and drove to East Gary Auto Parts in Indiana where I delivered the cowl, the clip, and the seats. Then I drove to Calumet Auto Wrecking Inc. in Hammond, Indiana, and sold the front end, the bumpers, and the doors, and trunk lid for \$700. I received a check made payable to East Auto Parts. While I was there, Ostrowsky called me and told me to return to South Chicago as quickly as possible. He said that Dauber and Marek had been indicted for the murder of Michael Regan, Croach's partner, who had been murdered on Sept. 3, 1972, the day after Croach was murdered. When I arrived at the yard, Ostrowsky told me to go to South Chicago Automotive (an automotive supply store) and pick up a set of tires (dropped there by Dauber and Marek) and destroy them. According to Ostrowsky, the tires were from the car used to dump Croach's body in a field. Dauber and Marek were concerned that the tires had left marks in the dirt which could be traced back to the car, so they decided to get rid of the tires by selling them to South Chicago Automotive. However, now that they were indicted for murder, Ostrowsky wanted the tires burned. I obtained some gasoline and set the tires afire in an open field.

On the way back from burning the tires I stopped and cashed the \$700 check at the Steel City National Bank in Chicago and split the cash with Ostrowsky at his yard. After giving him the money, we discussed the whole situation. Ostrowsky said Dauber murdered Croach because Dauber thought that Croach "couldn't handle the heat." Croach's body was recovered September 12, 1972 in a field in Indiana five miles south of Michigan City.

My ever increasing involvement in these violent crimes led me to seriously question my own safety. I realized that if I remained involved any longer I would become directly involved in the violence. I also realized it would be extremely difficult to way away from the chop shop operations in possession of details which could lead to the prosecution of Catuara, Dauber, Ostrowsky, and others. My dilemma was resolved for me a few days later. On September 21, 1972, Mike Balgley, the FBI agent with whom I had originally spoken about Catuara's stolen Cadillac, called me and said he had to meet with me immediately. In the early afternoon, I met with Balgley, his fellow FBI agents Woody Morrison and Gary Adams, and Assistant U.S. Attorney Frank Murtha. Balgley told me he had discovered that morning that Ostrowsky had learned of my cooperation with the Bureau. The agents and Murtha then laid out their proof supporting Balgley's statement and suggested that I be placed under protective custody. I would then be placed in the Federal Witness Protection Program and relocated under a new identity somewhere in the United States in exchange for my testimony in Catuara's trial. After hearing their story, I knew why Ostrowsky had called me early that morning and told me to meet him at the Hammon Airport in Indiana (where our plane was stored) at 6:30 p.m. to discuss a problem that had come up. Remembering the treatment that Pronger and Fidanzi had received after they were pegged as informants, I concluded that Ostrowsky had every intention of killing me that evening. This left me with two alternatives: either live in hiding or cooperate with the government. I chose the latter alternative.

I spent five days in a motel with Murtha and the FBI agents discussing my career as a chop shop operator, my contacts with organized crime and my involvement in the Croach, Fidanzi and Pronger murders. Based upon my information, the FBI, in cooperation with the U.S. Attorney's Office in Chicago, developed federal prosecutions against Ostrowsky, Dauber, Marek, and Schnadenberg for transporting Croach's car across state lines—a Dyer Act violation. The four were indicted, convicted after a jury trial in which I testified against them in March of 1973, and sentenced to 10-year prison terms. Their sentences were later reduced to five years. No one was ever tried for the Croach murder.

The numerous chop shop related murders that have taken place in Chicago since I entered the Witness Protection Program have not surprised me. When organized crime is out to make large profits, violence is inevitable. Many of the people I had been closely involved with have been murdered: Ostrowsky; Holzer; Catuara; Richie Ferraro, Catuara's right-hand man; and Pronger. Although I don't know what relationship organized crime in other major cities might have to the chop shops, I firmly believe that if organized crime outside of Chicago has not already made chop shops a regular source of income, it will do so in the near future.

The spread of chop shop activity nationwide has also been predictable. Almost none of the factors contributing in 1972 to the tremendous demand for stolen body parts have changed in the intervening seven years according to what I have read about the problem. The car companies still take much longer than

the thieves to deliver replacement body parts; the prices of new replacement parts are still many times higher than the used part prices; cars are still easy to steal; and the judicial system by and large still does not treat vehicle theft as a serious crime. Auto thieves seldom end up in prison. And, there are not many professionals available which allow someone like myself, with no special training, to make hundreds of thousands of dollars, tax free, with only minimal risks.

I believe one answer to the chop shop problem is to make it more difficult for thieves to market stolen auto parts. Placing VINs on the major body parts and making it a crime to alter them would go a long way towards eliminating chop shop operations. Obviously, if the repair shops knew the parts they were buying could be identified by law enforcement as stolen, they would be much more reluctant to buy the stolen parts. And, if the repair shops stop buying stolen parts, the black market will die. If I had faced these kinds of deterrents, I would not have gone into the auto theft business.

Finally, from the thief's point of view, there is virtually no risk in stealing a car today. The whole process takes less than two minutes and, with the aid of a lookout, it is almost impossible for police to surprise a good thief. If it took longer to steal a car, the risk would be significantly increased. Few thieves I came into contact with were willing to work on a car much longer than four or five minutes. And, of course, that first arrest is usually just a "free one," because, after all, auto theft is only a property crime.

I have read, reviewed, and initialed each page of this statement and I swear, to the best of my knowledge and belief, that the statements contained therein are true and correct.

ALEX JAROSZEWSKI.

Sworn to and subscribed before me this 27th day of November, 1979.

DONNA E. WOOD, *Notary Public*.

Senator PERCY. I don't know whether you have seen the coverage in Chicago of chop shops. All the media have done an outstanding job.

Mr. MURPHY. I did see one or two.

Senator PERCY. Channel 5, an NBC affiliate in Chicago, ran a documentary series in Chicago, November 12-16, focusing on the problem of chop shops and auto thefts in Metropolitan Chicago. Part of our job in these hearings is to make the public more aware of this problem so that they may play a role in its solution.

They did an outstanding job in that particular series.

Mr. MURPHY. I agree.

I saw a lot of familiar faces on some of their film footage.

Senator PERCY. I would like to commend Rich Samuels and Chuck Collins for their solid investigative work and dramatic film and videotape coverage that so graphically presented the problem. We can't put the film on the record, but the transcripts of those programs would be valuable for our colleagues. Unless there is objection, I will insert this in the record at this time.

[The document referred to was marked "Exhibit No. 21" for reference and follows:]

EXHIBIT No. 21

RADIO TV REPORTS, INC.,  
Skokie, Ill., and New York, N.Y.

For: WMAQ-TV.

Program: Newcenter Five—Station, WMAQ-TV.

Date: November 12, 1979—10:00 P.M.—City, Chicago.

CAR THEFTS

JIM RUNNIE. Tonight Unit 5, our Investigative Team, reports the breaking of an international auto theft ring in Chicago. That operation has ripped off more than a million and a half dollars in foreign cars. Hot metal is stolen every year

at a cost of \$112,000,000. It's an easy crime: 88 out of every 100 auto thieves get away, and those who are caught rarely spend time in jail. All week long, Unit 5 will show you the big wheels in the hot metal hierarchy, the ringleaders who convert your stolen car into heroin and cocaine. You'll see exclusive coverage of cars being illegally chopped, and you'll see how the auto industry falls in theft-proofing cars, and the availability of tools to steal them. Rich Samuels in Unit 5 hounded the international theft ring for months. Rich is here with some results. Rich—

**RICH SAMUELS.** Jim, the latest results—two men in custody here tonight, but only the ring stole scores of cars and netted hundreds of thousands of dollars. They apparently thought they had a perfect system, but what they should have kept hidden, they inadvertently let Unit Five see. This is Patricia Jackson, or Gwendolyn Jackson, as she sometimes calls herself. And on October 25, Unit Five's undercover camera saw Patricia/Gwendolyn stepping into a stolen car—a 1978 Mercedes 450SL. Two days later, Unit Five observed Patricia/Gwendolyn behind the wheel of another stolen car—a 1975 Audi Fox, a car Unit Five traced to Bill and Sue Johnson of Burr Ridge, who said they hadn't seen their car since it was ripped off fifteen months ago. Though Patricia/Gwendolyn collects \$300 a month in welfare payments, she drives the most expensive cars on the road because Patricia/Gwendolyn (inaudible) . . . a million and a half dollars, a ring that launders titles to those cars in Canada, resells the cars here, and pumps the proceeds into traffic in heroin and in cocaine.

Title to the 450SL Patricia/Gwendolyn is driving here was, in fact, laundered in Canada last year just before the car itself was involved in a Chicago heroin-cocaine bust. An accused badcheck artist by the name of Brandy Malone did the laundering, according to Canadian documents, and Brandy Malone claimed the Mercedes as hers following a drug bust. Professor LeRoy Bryant, who teaches history at Chicago State University is the Mercedes' most recent owner. He's told police and his insurance company his car was stolen from the basement parking lot of his apartment building on October 25, but Unit Five located the car at the Park Forest South address used by the theft ring a day before the professor said his car was stolen. Shown a photograph of his car by Unit Five, Bryant admitted he'd lied to the police. He often let members of the theft ring use his car, admitted he knew they were stealing cars, and even admitted typing up a phony registration document for them. The professor claims he was being blackmailed by Roy Hines, whom the professor describes as being the ring's leader. Hines and the Mercedes disappeared Oct. 25, but not before Unit Five caught Hines shortly after he slipped from behind the wheel of the Audi ripped off from Bill and Sue Johnson.

**BILL JOHNSON.** I parked my car in the lot in downtown Hinsdale, and because I got to work a little early, I parked in the very first space off Lincoln Street. After work, I went out to the parking lot to get my car, and there was a big truck parked in the space where I left my car.

**SAMUELS.** No sign of your car.

**JOHNSON.** No sign of my car at all.

**SAMUELS.** The Johnson's car was stolen from a parking lot in broad daylight which is typical of the way car thieves operate. And the Johnson's were typical victims. They were proud of their car, had a big investment in it, and their loss was not completely covered by insurance.

**SUE JOHNSON.** We had so many plans in the making at that time, and we didn't need anything else to interfere, and we certainly couldn't lose the money at that time.

**SAMUELS.** In terms of cash out of your pocket, what did this theft cost you?

**JOHNSON.** About \$1,500.

**SAMUELS.** Unit Five was able to trace the Audi back to the Johnsons, only because the thieves failed to alter the vehicle identification located on the windshield post. In other cases, the theft ring was much more clever. Another 1978 Mercedes they stole was at least \$24,000 as a case in point, and its history illustrates the techniques the thieves used to make hot cars legitimate, all for the purpose of making huge profits. That Mercedes was lifted off Lake Shore Drive July 18 after owner George Lutz parked it here on his way to a board meeting at Temple Shalom. The thieves then began a odyssey Unit 5 which was traced from Chicago to Western Canada, from Western Canada to the eastern seaboard, and from the eastern seaboard back to Chicago. The first stop was Edmonton, Canada, the province of Alberta. Here one can legally obtain registration for a used car simply by providing a letter from the alleged seller to the alleged buyer, and by proving that the car has insurance. It's a system appar-

ently easily defeated by fraud. And in the office of the Alberta Vehicle Branch, registration for the Mercedes was acquired August 8, in the name of Gwendolyn Jackson. The next stop was Camden, New Jersey. On the basis of the Fraudulent Committee registration, the State of New Jersey, September 18, issued Gwendolyn Jackson a legitimate title for the car. The final step was Derrick Ford of Chicago, which agreed to buy the car for \$17,000. At the South Chicago Bank, Gwendolyn Jackson cashed the check from Derrick Ford within an hour after the deal was consummated.

Later examination of the Mercedes revealed the vehicle identification had been altered and that the car was in fact stolen. The loss to Derrick Ford and the car's insurer, approaches \$40,000. But the theft ring based in this Park Forest South apartment complex, netting 17 grand, minus only the cost of travel to Canada and New Jersey, Patricia Gwendolyn Jackson, Roy Hines, Brandy Malone, and Professor Leroy Bryant are now under investigation by local, State, Federal and Dominion of Canada authorities. They have appeared to have had many victims. In Edmonton, Canada, there are presently five vehicle registrations in the name of Gwendolyn Jackson and at least two more for Brandy Malone. All are for expensive foreign cars, all are presumably ripped off. For the victims of this car theft ring, and their insurers, there can be little satisfaction. But for Bill and Sue Johnson, there was at least a unique opportunity. October 27, we drove them in Unit 5 undercover van to the theft ring's headquarters and through a one-way window they saw their car, stolen 15 months earlier. The car they never expected to see again. Is that your car?

SUE JOHNSON. Sure looks like it.

BILL JOHNSON. Sure does.

ROY SAMUELS. Is someone getting into it?

SUE JOHNSON. Yes. It's the same wheels.

BILL JOHNSON. Yes, that's it. Because look at the way it's pitted. The back bumper is pitted, I had a terrible time with that bumper doing that.

ROY SAMUELS. How does that make you feel?

SUE JOHNSON. I think that's when you feel it's really bit you. That you've really have been taken for a sucker when you see somebody else drive your car that you've really worked for.

BILL JOHNSON. Yes, seeing someone else drive it makes me mad and sad at the same time. I'm taken for \$1,500.

ROY SAMUELS. At 3 p.m. this afternoon, police arrested Professor Leroy Bryant, as he was holding office hours for his students at Chicago State University. Professor Bryant's charge was filing a false application for a motor vehicle title. Minutes earlier police arrested a man named James Scott. It's believed the theft ring altered vehicle identification tags at this auto parts store at 70th and Wallace. Also in custody tonight is auto-body shop owner, Jay Jefferson, who allegedly sold the Mercedes to Derrick Ford in the name of Gwendolyn Jackson. Police are looking for her too, now the auto theft ring is out of business.

JIM RIDDLE. Out of business thanks to very good and quick police work by investigators from the Illinois Department of Law Enforcement, Chicago Police, Police from Park Forest South. Other thieves continue to merely rip off cars because it's so easy. As we ourselves discovered, we'll have more on that when our Unit 5 Report continues tomorrow.

Date: November 13, 1979—10:00 p.m.

#### CAR THEFTS

JIM RIDDLE. Back home, here in Illinois, auto theft is big business with little risk to the criminal. Most of them get away—about 88 out of every 100. Well, in tonight's Unit Five report, Rich Samuels shows us just how easy it is to steal a car.

ROY SAMUELS. Well, Jim, many viewers tonight may find our report objectionable, because we're going to show you quite explicitly how to steal a car. We're going to show you how to steal a car because we think that stealing a car is too easy. We hope this upsets you. We hope that this leads to pressure on Detroit to make cars that can't be stolen. The man with the attache case is a professional car thief. He's stolen hundreds of vehicles. Watch how easily and quickly he does his job.

[Dramatization of car theft.]

SAMUELS. 40 seconds, and the car is his to drive away. Let's watch him again. . . .

[Sounds of car thief at work.]

SAMUELS. The door-lock pops in a split second following a swift jab with a flat-(inaudible) strip called a "slim-jim". A quick flick with a screwdriver, three slams with a small sledge-hammer, another screwdriver flick, and the case-hardened washer that's supposed to make the ignition lock theft-proof crumbles away. Eight turns of the wrist, then a sharp yank on the slide-hammer, and the ignition lock is pulled.

A final twist of the pliers, and the thief's gained effective control of \$7,000 worth of Oldsmobile Outlass.

Police and prosecutors say that it's altogether too easy to steal cars. Although Detroit will disagree, law enforcement officials also say that car manufacturers are under little pressure to make cars theft-proof because every car stolen is another car sold. It's also altogether too easy to become a car thief. All it takes is tools and knowledge, and both are easy to acquire. That we began to realize as we typed out a mail-order request for a set of "slim-jim" door-openers. We found them advertised as "easy keys" in a publication of the American Federation of Police, a Louisville, Kentucky based professional law enforcement society. We ordered the "slim-jims" using the name Emmanon, Inc. A simple check would've revealed that corporation's as phony as a three-dollar bill. But the concern of the American Federation of Police went no further than our cashier's check. A short time later, our post office box yielded a small package from Louisville. Inside, a complete set of slim-jim's which the budget minded might well choose to fashion out of hack-saw blades. Within minutes, we're popping doorlocks with abandon, often to the amazement of those who watched.

We could enter almost any car with minimal hassle, even this \$14,000 Cadillac. But, how to get those cars started. Credit Industries, an auto repossessor's supply house in Arlington Heights answered that question by selling us all the car theft tools we needed and more. A Unit Five investigator made the buy, accompanied by a Unit Five technician who taped the transaction with a small recorder and camera hidden in a tool box. A young woman named Alice took our order, asking virtually no questions about what we planned to do with the tools. Alice's boss seemed concerned only about the color of our money which he carefully counted. The money was green and added up to \$518. Unit Five now had at its disposal a full set of tools to rip off practically any car. A slide hammer to remove locks just like the one used by professional thieves; a more sophisticated noiseless lock-puller; new locks to replace those removed; a key cutter to cut new keys; a code-book telling us how to cut keys for any ignition lock; plus, an illustrated dissertation on the art of repossessing car which, in the hands of the dishonest, is nothing more than a manual on how to steal cars. Then, it's just a matter of reading the straight forward text, looking at the pictures, and practice.

[Sounds of Rich Samuels "ripping off" a car.]

SAMUELS. The arcane secrets reserved for professional auto thieves were now ours, and could easily be anybody's. You don't have to be a P.D. to become an auto thief. The U.S. Senate is also appalled with the auto-theft problem, so much so it's scheduled hearings on the problem later this month. We'll be going to Washington to cover those hearings which in large part, will focus on the role played by organized crime. And as our Unit Five report continues tomorrow, we'll show you how the mob has this racket in its pocket. And we'll show you some undercover footage of mobsters at work that's never before been shown on television. Jim . . .

JIM RIDDLE. Well, Tom Terry, who's an official at General Motors, told me that while the company could make their cars more theft-proof, they feel that it would take away from customers' convenience. For example, people who leave their keys in their car wouldn't be able to get inside. Meanwhile, Ford Motor Company's experimenting with exploding vehicle identification tags. This would make the removal of those serial numbers a lot more difficult.

Date: November 14, 1970—10:10 P.M.

#### CAR THEFTS

JIM RIDDLE. Three men involved in one of the areas notorious illegal chop shop operations have now been indicted by a Cook County Grand Jury. Unit Five has been investigating that Blue Island Chop Shop and its ties to organized crime. Rich Samuels has joined us now and he has the results on the investigation.

**RIOU SAMUELS.** The alleged chop shop is J&A Auto Parts. And we'd like to introduce you to some of the folks that work there or otherwise benefited from its existence. The man dashing down the stairs is one of the three now charged. Roy Bresonelli. He's running fast because he's upset his picture is being taken. Had Roy Bresonelli known this picture was being taken he would have been considerably more upset. Because here you see him engaged in his apparent profession. Cutting up stolen cars. This undercover film was shot by investigator Mariou Vertie of the Illinois Secretary of State's office. It's the only film in existence of a chop shop in operation. This film never before shown on television. Also, indicted, Ricky Ferrero, who's skills with a cutting torch are said to equal those to Roy Bresonelli. Investigator Vertie also shot this scene undercover because Ricky Ferrero doesn't sit for formal portraits. Likewise, camera shy is a man Unit Five visited some days ago. Carl Lewis now charged with arranging the theft of his car. So he could collect on his insurance. J&A Auto Parts in Blue Island is what all three indictees have in common. Bresonelli and Ferrero worked here cutting up stolen cars. Lewis' car was chopped to pieces at J&A following its allegedly pre-arranged theft. J&A is a classic example of a chop-shop. A yard where stolen cars are cut and their parts resold at tremendous profits.

Profits in large parts siphoned to organized crime which has a vice like grip on these operations. Arrogantly smiling hoods like Jimmy The Bomber Catuara had been wiped out. As they refused to pay those who control the chop shops their full tribute. Catuara's number came up a year ago July, when he was gunned down in Chicago's near north side. But Jimmy the Bomber is only one of the many who went on to his reward while a group of young outfit turks based in the south suburbs got control of the chop shop. Jimmy's enforcer Sammy Anerito was dropped in his tracks after two men in ski masks blew his brains out. Auto parts dealer Steve Astrowski met a similar end he neglected to pay the piper his full dues. Joseph Field, an auto thief, was found dead in the trunk of his car. As was Timmy O'Brien, a chop shop operator was about to spill his guts to investigators. And Richie Ferraro, half brother of the Ricky Ferraro, now under indictment, simply disappeared. He's presumed dead, left in the bloody wake of the seemingly invincible, like alleged hit-man, Billy Dauber whose victims are said to number more than 30. It's men like Dauber who are believed to be pocketing the big bucks in the chop shops.

At J&A, perhaps more than any chop shop uncovered, illustrates how effectively the mob converts stolen cars into small pieces, and those small pieces into big bucks with lightning speed.

Marvin Coffman of Wilmette is one of J&A's victims.

**MARVIN COFFMAN.** We parked the cars right in front of the office, the factory here. It was approximately 9 o'clock. At 11 o'clock, we went down to make a stop, and the car was gone.

**SAMUELS.** Marvin Coffman's 1970 Buick Regal was stolen from in front of his Chicago factory in broad daylight July 12 even though there's a police station just around the corner. When investigators found Coffman's car at J&A July 31st, all that was left was two doors and the rear end. With skill and efficiency, J&A personnel had cut away all the resalable parts from the car, dumped the remains in the lagoon behind J&A's yard. The fate of Coffman's car was shared by scores of others. Not much more than a shell remained of a '78 Lincoln stolen from Donald McClaren at the Woodfield Mall July 30. J&A reduced it to this state less than 24 hours after it was ripped off. Only the rear end of Fred Jones' '79 T-Bird was left, and only the engine and transmission of Warren Lang's '79 Pontiac. A rear end was the sole surviving part of what was once a brand-new 1979 Buick Regal. It was stolen off the lot of Grant Dean Buick in Highland Park July 3rd.

Investigators were able to piece together like a jigsaw puzzle two brand-new '79 Olds Cutlasses. They were stolen off the lot of M. J. Kelly Olds in Arlington Heights after they'd been on display here less than 24 hours.

J&A wasted no time, and the volume of its stolen car business boggles the imagination. Of the hundreds of car parts found here by investigators, only a handful turned out to be legitimately acquired. But, one piece in particular caught the eye of law-enforcement officials: the remains of Carl Lewis' Pontiac.

Lewis told the police and his insurance company his car was stolen September 4 near City Hall, Lewis claimed, where he'd parked to buy a city vehicle sticker. The only problem, investigators had seen Lewis' car driven into J&A August 22, two weeks earlier. And on August 24, they saw Ricky Ferraro dis-

mantle Lewis' car with a cutting torch. They saw Roy Bresenelli slip the vehicle identification number tag into his pocket, and then dump the frame of Lewis' car into the lagoon.

Carl Lewis' story about this car being stolen September 4 was complete "bull". He apparently just wanted to collect on his insurance. And that perhaps explains the brevity of Unit Five's interview with Carl Lewis.

SAMUELS interviewing CARL LEWIS. Uh, we're doing a story on auto theft, and you had a car stolen not too long ago, didn't you? Can you tell me how that happened?

LEWIS. No, I can't talk about it.

SAMUELS. I understand . . .

LEWIS. No, I can't, I can't . . . (closing the door.)

SAMUELS. Gerald Ferraro, the brother of the vanished Richie, and the half-brother of the indicted Ricky is J&A's owner. As of now, no charges have been filed against him. But his company allegedly wrote numerous checks to thieves who've brought stolen cars here to be chopped, checks issued to phony companies, some of which had the most improbable of names.

But at a Calmet Park currency exchange, those checks were cashed with no questions asked. Nobody yet knows why.

And law enforcement officials have yet to determine what kind of cut-throat hit-man and convicted auto thief, Billy Dauber, was getting. In recent weeks, he's been trying to keep a low profile at the Windmill Antique Store he operates at Northeastern Will County. Though Unit Five's undercover cameras have seen him here on numerous occasions, we're at a loss to explain his sudden interest in old things, or the almost constant presence of others implicated in the chop shop racket.

What's Peter Bresenelli, an ex-cop and father of the indicted Roy Bresenelli, doing here? And how about Joe Merrick, who's stood trial with Dauber in 1976 on murder charges but pled to a lesser charge of concealing a felon. Maybe they've gone legit. Maybe. Law enforcement doubt it, because Billy Dauber was recently indicted for possession of cocaine and possession of a vehicle identification tag from a stolen car. Reportedly, his superiors in the mob aren't happy with all the publicity he's been getting. That means Billy Dauber might do well to start wearing the suit of armor he's been trying to sell.

L. Vertic, the investigator who shot the undercover footage at J&A, went out and bought his own camera so he could get that film. That's a sign of real dedication. That's one reason why the J&A case will turn out to be an important one. Chuck—

CHUCK HENRY. I think that J&A is out of business—

SAMUELS. J&A is out of business.

HENRY. OK.

Date: November 16, 1970—10:00 P.M.

#### CAR THEFTS

JIM RUDOLE. Unit 5, our investigating team has found a counterfeiting scheme within the auto theft racket. Thieves change the vehicle identification number, and then they sell hot cars to unsuspecting buyers. Those VIN (vehicle identification numbers) tags are installed by the manufacturer on four parts of the car. The dashboard, the motor, the transmission and the inside of the driver's door. An experienced detective can spot a phony tag immediately.

NEWS REPORTER. Unit 5 joined investigators from the Secretary of State's office on a stakeout of this house in south suburban Homewood. Because of a suspicious title filed with the Secretary of State's office, officials had reason to believe that a couple living here was driving a stolen car. We spotted the car. Investigators, Marion Vertic and Dennis Sarafin, stopped the driver, inspected the VIN tag, and found it to be a phony. Later investigators made an even more thorough search of the car and Vertic showed us the phony VIN plate.

VERTIC. It's a counterfeited tag. It's not stamped through it's just a straight casket.

NEWS REPORTER. Within an hour, the car was towed away. The Homewood couple was out the car, even though they bought it in good faith. Unit 5 decided to see how easy it is to sell a car with a phony VIN. Last month we rented a 1970 Cadillac from this north side dealer, rental agencies like this are often the victims of such a scheme. We changed the VIN on our car with the permission

of the Secretary of State's office. We used a VIN tag from a wrecked car. We got a new title in my name. No problem at all. We even got new license plates. Again, no problem. The car was now mine to sell. The next step was to go to a used car dealer to see if I could sell the car without any problems. The question was would the dealer check the VIN tags. We only changed one. The one on the dash. He did check the dash. The title conformed with that number and in good faith he offered to buy the car. He should have checked the other identification numbers. But like most dealers he didn't. A simple check would have blown the deal. He offered me \$6,800 for the car and his office actually signed the check before I stopped the deal.

**CAR DEALER.** Somebody comes in here with a car like that and a title that's good.

**NEWS REPORTER.** Where does that leave you?

**CAR DEALER.** We buy a car, legitimately, paying you for the car checks out not stolen, and that's it. If something turns up later on, we've got problems.

**NEWS REPORTER.** Unit 5 also wanted to see first hand what precautions banks take making auto loans. Rich Samuels made an appointment with a loan officer to buy my Cadillac. We met with the bank official while our Unit 5 crew taped the transaction from our undercover van. Rich told the officer he wanted to borrow \$3,800 to purchase the car. The official merely looked at its title and approved the loan. He didn't check to see if it actually existed. Just a piece of paper, the phony title was all that was needed. Again, we stopped the deal as the check was being typed.

**JIM RUDD.** It should also be noted that banks often make loans to people they know and therefore, they approved the deal on good faith without checking for fraud same with the car dealer. State investigators have told us however, that almost 20 percent of all auto theft involved some form of paper fraud. In one such case 40 year old Michael Bataglia of Orlengo was arrested tonight. Police charged that he borrowed \$8,000 from a city bank on a Lincoln Mark IV, that never existed. Investigators report Bataglia used a counterfeit Wisconsin title. So if you plan to buy a used car, your best protection is to check all four VIN tags and then have your local police run a check on that number to see if the car is stolen.

Date: November 16, 1979—10:00 p.m.

#### CAR THEFTS

**JIM RUDD.** Chicago police raided a south side chop-shop late this afternoon and arrested the owners, J. D. Sutton and his brother Sammy were picked up on felony charges. They own Ashland Wreckers where police say they've identified the remains of at least 12 stolen cars and expect to find more. Those cars all stolen within the past few months. Area police officers are now checking Vehicle Identification Numbers down at the chop-shop, trying to identify other stolen cars. Our Unit 5 Investigating Team has been looking into auto theft all week and here's Rich Samuels.

**RICH SAMUELS.** Jim, that bust in the south side today underscores the point we've been trying to make since Monday. Auto theft is a tremendous problem, but one for which there is no easy solution. While investigators seem to have no trouble arresting accused auto thieves, it's a long way from an arrest on the street to a conviction in the court. It's also often a long way from a conviction to a sentence that serves as a deterrent. And for the men who prosecute the accused, there's often a feeling of frustration.

**MALE VOICE.** The most a person could serve would be 2½ years. If he stole a hundred cars. He could only serve 2 and a half years, the given maximum sentence. Compared to burglary. Burglary you're undersentenced. If you make \$5 on a burglary you could be sentenced a longer term in the penitentiary you can for a \$15,000 car.

**RICH SAMUELS.** Accused thieves who pass through the halls of justice will leave their chance of acquittal are greater if they waive trial by jury and have their case weighed only by a judge in a bench trial. Prosecutors point to some judges in particular and whose courtrooms defendants almost invariably choose bench trial. Criminal judge Daniel Ryan is one judge who's name is often mentioned in that connection. Judge Ryan himself told Unit 5, no jury trial was held in this court in 1978 and no juried trial so far in 1979. He says there

will be two jury trials here later this year, though Judge Ryan can't recall when.

**BERNARD CAREY.** Any kind of professional people like to get in Judge Ryan's court room. Unfortunately over the years, we pointed this statistic out that is a very low conviction rate in Ryan's court room and almost every case tried there is a bench trial.

**RICH SAMUELS.** Judge Ryan declined to respond to Mr. Carey's claim. A sometimes quicker way of cutting down chop shops has been through administrative action on the part of the agency that licenses used auto parts dealers. The Illinois Secretary of State does the licensing and has found that chop-shops obviously don't meet licensing standards. Through administrative hearings, the Secretary of State has forced 17 chop-shops to stop chopping.

**ALAN DIXON (?)**: Criminal procedure itself has not been adequate in our state and around the country. We think this new administrative procedures under the Illinois plan that puts these people out of business is an important additional weapon.

**RICH SAMUELS.** Illinois law provides one tool to make life more difficult for auto thieves that so far hasn't been exploited. The law says driver's licenses of those convicted of auto theft are to be revoked. But Unit 5 checked the records of six auto thieves who were convicted who's pictures you are now seeing. We found in spite of those convictions, not one of their licenses had been revoked. Apparently, court clerks are not notifying the Secretary of State of those auto theft convictions. But much of the solution to the problem lies in the future. And part of that solution may be generated here in Washington, Senate Bill 1214 is signed into law when calling Detroit to stamp Vehicle Identification Numbers on both auto parts more sought after by most chop-shops. Those ID numbers which identify a car as surely as fingerprints are presently limited to tags attached to dashboards or windowposts and a few other components. The parts the chop-shops cut and re-sell are chosen precisely because they are unmarked. Stamping glass and steel with ID numbers would make them unmarketable. That would stop the chop shops dead in their tracks. Stamping ID numbers on more parts would mean a change in assembly line procedures. But those supporting Senate Bill 1214 foresee it clear cost benefit for everybody but the thieves.

**SENATOR CHARLES H. PERCY.** Ultimately the automobile manufacturers can be easily done and the principle part subject to crush can be identified for about 5 dollars. So that that minor cost compared to the, that would more than offset the insurance cost, the insurance costs have been astronomical in this field particularly in areas of high theft that would be the suburbs of Chicago.

**RICH SAMUELS.** One Chicago anthropologist (inaudible) has already doing on a limited scale what the senate bill would make mandatory for all our manufacturers. He's permanently sand blasting ID numbers on auto glass, bumpers and other parts. Chop shops can't sell these parts once they're marked. But this procedure it even a greater potential of a deterrent. The ID number on the window is bound to catch the eye of the weary would be thief. When he sees the number he knows the car is marked and would be pointless to steal a car that can't be resold. Most security motorists are content with alarm systems that attract attention. And as we learn, manufacturers of those systems are not at a loss for innovation. Alarm sound: Help call the police, white Cadillac Eldorado now being burglarized. . . . Help, call the police White Eldorado now being burglarized. Add another big bust. But if more of the metal on cars were stamped with ID numbers, it wouldn't become hot. And then the big bucks and the thieves would dry up.

**Senator Percy.** Mr. Chairman, thank you very much.

We have no further questions.

You are dismissed.

The Chair will call Mr. J. Phillip Kruse, head of intelligence, Illinois Bureau of Law Enforcement.

**Chairman NUNN.** We swear all of our witnesses in. I will go ahead while Senator Percy is doing this.

Do you swear the testimony you will give before this subcommittee will be the truth, the whole truth and nothing but the truth, so help you God?

**Mr. Kruse.** I do.

TESTIMONY OF J. PHILIP KRUSE, HEAD OF INTELLIGENCE, ILLINOIS BUREAU OF LAW ENFORCEMENT

Senator PERCY. If you would go right ahead with your statement, we welcome you here. Thank you.

Mr. KRUSE. Thank you.

The Chairman, members of the subcommittee, I am honored to have this opportunity to testify on the serious problem of professional motor vehicle theft.

I am Philip Kruse, commander, Criminal Intelligence Command, Illinois Department of Law Enforcement. I have served in this position since 1974.

Prior to my work in Illinois, I held a variety of law enforcement positions ranging from patrolman for the Dade County Department of Public Safety in Florida, to special assistant to the director of public safety for Cleveland. I did my undergraduate work at Northland College in Wisconsin and received a master's degree in criminology and law enforcement from Sam Houston State University.

Earlier this morning, I listened closely to the testimony of Alex Jaroszewski. His account of the calculated violence used in Chicago chop shop operations may have been a revelation to the public, but it came as no surprise to those of us in the Illinois law enforcement community.

When large profits are at stake, organized crime—or as it is called in Chicago, the Outfit—does not stop short of murder to gain control of a lucrative business. Chop shops have been no exception to this historical truth.

Traditionally, the Outfit has made its money through such operations as gambling, loan sharking, labor racketeering, and prostitution. It is only during this past decade that organized crime in Chicago has cashed in on the enormous profits to be made from stealing cars, cutting up the parts, and selling the hot parts on the blackmarket.

Organized crime involvement in the chop shop operations were entirely predictable for three fundamental reasons. First. Auto theft and other related crimes have not been given a high priority by either law enforcement or the courts. Arrests, prosecutions, and tough sentences have been difficult to obtain. As a result, the professional considers the crime a relatively safe one to commit.

Second. During the early seventies, the salvage yards in Chicago which dealt in stolen vehicle parts continued to make huge profits because the demand for serviceable used parts was on the upswing.

Third. The Outfit had the tools at its disposal to demand a big piece of the pie—violence and the fear of violence.

The Outfit's domination of Chicago chop shops, particularly those located on the city's South Side, has been consistently earmarked by violence and intimidation.

During 1977 alone, eight persons known to be involved in chop shop operations were murdered in traditional gangland style. At the top of the hit list was Jimmy "The Bomber" Catuara, who was shot-gunned to death in his automobile on July 28, 1978. Catuara, widely known as the South Side territorial boss in the Chicago Outfit, is believed to have controlled the South Side chop shop operations before

his death. As recently as May 21 of this year, another known chop shop operator, Timmy O'Brien, was shot to death. His murder probably resulted from the unwanted attention his operations had gotten from both Chicago law enforcement agencies and the Chicago news media. O'Brien's open notoriety did not fit the low-profile image which the Outfit demands. He was shot three times in the head, and in true Chicago gangland fashion, "crawled into the trunk of his car" and died.

The violence continually associated with Chicago chop shops has increased law enforcement's difficulties in curbing this serious problem. When the lives of potential witnesses, confidential informants, and even law enforcement officials are jeopardized by an organization that will stop at nothing to protect its interests, arrests and prosecutions become even more difficult to obtain.

It is a well-known fact, for instance, that a convicted organized crime member will do hard time rather than cooperate with law enforcement, providing information that might put others behind bars. The risk of incarceration is a price that members of the Outfit are willing to pay for remaining silent and alive.

Today, the only product which the Outfit sells to Chicago chop shops is fear. Chicago chop shops and salvage yards pay weekly tribute to the Outfit. If they refuse to pay, they have 14 murders of Chicago chop shop figures to think about.

From a law enforcement perspective, I suggest that the most viable way to combat the Outfit's involvement in professional motor vehicle theft is to take away the economic incentive for committing the crime. If the costs of doing business exceed the profits to be made, then organized crime will relinquish its control. But to accomplish this difficult task, two objectives must be met:

(One.) Auto theft and related crimes must be treated as serious offenses combining increased enforcement, prosecution and stiffer sentencing. If the auto thief knows he won't go to prison for his crime, he will not stop stealing cars.

(Two.) The stolen parts illicit market must be vigorously attacked. This can hopefully be accomplished by making the parts readily identifiable and by expanding law enforcement's authority to seize the stolen parts and other assets needed to make the chop shops a profitable operation.

If these two objectives can be achieved, chop shops might be looked back upon some day as a phenomenon of the 1970s and not an entrenched criminal institution.

Senator PERCY. Senator Cohen, do you have questions that you would like to ask?

Senator COHEN. I have just one question.

I believe you indicated that you have got to start treating this sort of auto theft as a very serious crime. What is Mr. Dauber doing now? Of all the people that we have heard about this morning, and I haven't had a chance to look at your chart, it is my understanding that Mr. Ostrowsky is dead, murdered, his partner, Harry Holzer has been murdered, Catuara has been murdered, and Marek and Dauber are still alive. Where is Dauber now?

Mr. KRUSE. Dauber is running an antique business in Crete, Ill., along with his wife. He was the subject of a search warrant by the

Illinois Department of Law Enforcement and the Alcohol, Tobacco and Tax and Fire Arms Division of the Department of the Treasury. It was a strike force operation and the search warrant was predicated upon probable cause that we developed with regard to firearms in his residence. That is now a strike force case and hopefully in the near future we will be doing something about it.

Senator COHEN. I raise it because here is a man who has been implicated by the witness' testimony earlier, in at least one, and possibly two murders, who received a sentence of 5 years, probably has served less time, in fact, in jail, and who is now back out running an antique shop. This is quite a switch, from chop shops to an antique shop, but it certainly is not the kind of penalty that is likely to discourage this kind of illegal activity in the future.

Mr. KRUSE. No, it is not. Mr. Dauber is intentionally maintaining a low profile at this time. He is the subject of a number of active investigations and intelligence inquiries by Chicago-based law enforcement agencies at all levels.

Senator COHEN. I mention this only, Mr. Chairman, since yesterday we had one witness who on his first violation received a year's sentence that he could serve on weekends.

Senator PEROT. He actually served only 14 weekends.

Senator COHEN. Fourteen weekends on the first time around and 6 months or a year of incarceration thereafter. So there hasn't been much in the way of judicial deterrent.

Chairman NUNN. May I ask one question here?

In talking about organized crime, I think we need to distinguish as we go along in these hearings and others that we have had in the past between what has been the historical public impression of organized crime and what may or may not be the case today. When you used the word "Outfit," are you talking about any kind of particular ethnic group, are you talking about what we have called the Mafia, or are you talking about something that is much looser than that, that has no connection with the family or ethnic group?

Mr. KRUSE. You mentioned the word "Family." Chicago in my estimate is not a family-organized crime group. It has the direct lineage back to the Capone era, to the bootlegging days. Catuara, Anthony Accardo, other people who are well-known organized crime figures have a direct linkage back to that particular point in time.

The Chicago Outfit, the Chicago-organized crime group is a little bit different than we see, for example, in other cities. They are an equal opportunity employer. However, in Chicagoland, upper echelon levels of organized crime, we see predominantly older organized crime figures. I think there is reluctance to relinquish control to what we call the young Turks.

Chairman NUNN. So it is a broad-based kind of operation, but those in the top 10 seem to be the old historical type of organized crime figures?

Mr. KRUSE. Most of the top men. Obviously, they are getting older and people are falling by the wayside.

Chairman NUNN. How about Catuara? Where did he fit in?

Mr. KRUSE. He was the near South Side organized crime boss. He had numerous criminal operations, including chop shops that he was extorting money from. The chop shops were located below 95th Street, which is in someone else's territory.

Chairman NUNN. How about William Dauber? Was he one of the old liners, as you would call him?

Mr. KRUSE. No. He is not an old liner. I think as you get down below, for example, the level of Albert Tocco, the level of Catuara, you are talking about workers, you are talking about people who don't make major decisions, but they do the work. They extort the money, they provide the muscle, they are involved in hits, et cetera.

That is not to say that people at Catuara's level haven't been involved in hits, but somebody has to go out and put the arm on people.

Mr. BLOCK. Mr. Chairman, may I just note that Mr. Catuara was named back in the Valachi hearings before this subcommittee as a member of Chicago organized crime. At that hearing, he was noted to be involved in gambling. This was, I think, before his chop shop days. Additionally, the Illinois Crime Investigating Commission, in June of 1970, also listed, with photo and description, both Mr. Catuara and Mr. Dauber as being involved in racketeering or extortion in Chicago.

Chairman NUNN. So when you used the word "Outfit", I know Senator Percy will get into the questions about the present situation, and I won't preempt that, but when you use the word "Outfit" or organization, as I understand your definition of it, it is much broader than what we have called in the past the Mafia.

Mr. KRUSE. Let me be specific. We are talking about La Cosa Nostra. Senator NUNN. You are?

Mr. KRUSE. Yes.

Senator COHEN. How did O'Brien fit into that?

Mr. KRUSE. It is an equal opportunity employer and you get your—

Senator COHEN. Senator Nunn raised the question before, it is not just confined to one ethnic group.

Mr. KRUSE. Right. But your upper echelon is primarily one ethnic group. There are people that are not—

Senator NUNN. So we still have ethnic group domination at the top in Chicago? That is what you are saying?

Mr. KRUSE. Yes, we do.

Senator NUNN. We still have the historical, what we call the Mafia or La Cosa Nostra at the top of the organization, but below the top level you have what you call equal opportunity employment crossing all ethnic and racial lines. Is that correct?

Mr. KRUSE. Yes.

Senator PERCY. Mr. Kruse, in the outfit in Chicago, we do have top level figures that are not associated with one dominant ethnic group, don't we?

Mr. KRUSE. That is correct. But it is dominated by one ethnic group.

Senator PERCY. I think it has become more diversified in recent years, accompanied by a shift of power. Haven't they taken more people in as the business has expanded?

Mr. KRUSE. Yes, they have.

Senator NUNN. I just wanted to establish that as we go along. But when you use the word outfit, you are referring to those at the top or are you referring to the whole structure?

Mr. KRUSE. We refer to the whole structure.

Senator NUNN. So it is an inclusive term and it is much broader than one ethnic group, but includes as you have said ethnic group domination at the top. Is that the best way—

Mr. KRUSE. Yes, sir, that is correct.

Senator NUNN. Thank you.

Senator PERCY. I think it is interesting to note that of the 13 listed as murdered, a majority of them were found in a vehicle. It seems an appropriate burial spot for them, either the trunk or the backseat.

In the late 1960's and early 1970's what role did organized crime play in the operation of the Chicago area chop shops?

Mr. KRUSE. I think organized crime, being opportunistic, was watching the chop shop operations. They were watching the auto thieves, they were watching the chop shops, they were watching the salvage yards. They viewed it as a potential source for big money, for income. During the late 1960's, early 1970's, no specific date, I think organized crime through Jimmy Catnara began to muscle in on the chop shop operations, not to control them, but to extort money from them.

Mr. BLOCK. Could you move the microphone up a little?

Senator PERCY. What are some of the other big organized crime activities in Chicago, prostitution, gambling—

Mr. KRUSE. Loansharking, labor racketeering, organized theft rings.

Senator PERCY. In your judgment, how big are chop shop operations and auto theft compared to the other activities, in dollar volume?

Would chop shops be up on top, at the bottom, or in the middle?

Mr. KRUSE. At this particular point in time, sir?

Senator PERCY. No. Well, let's say the late 1960's and through the 1970's, yes.

Mr. KRUSE. I would say that at the onset it was one of the smaller moneymakers, in dollar volume. I would say right now that it is one of their larger sources of income. I still believe gambling is their primary source of income.

Senator PERCY. So sales volume is low, but the profit margin is extraordinarily high?

Mr. KRUSE. Extraordinarily.

Senator PERCY. Labor costs are not nearly as much as in other aspects of organized crime?

Mr. KRUSE. You have to cover fewer people, less territory in stealing a car, than you would in running a gambling operation.

Senator PERCY. In discussing the various people involved in chop shops, including a number of members of organized crime, can you tell us what information will be the basis of your statements?

Mr. KRUSE. Yes. Intelligence reports which are formulated on confidential informant information, surveillances, other types of field police activities, official police reports, and other documented information.

Senator PERCY. And again, at any time that either Senator would like to break in, please do so.

Mr. Jaroszewski talked in very specific terms about two individuals, Steven Ostrowsky and Billy Dauber. He identified them both as major stolen parts dealers and enforcers for organized crime. Based upon his testimony do you believe that Mr. Jaroszewski's description of Ostrowsky and Dauber was accurate?

Mr. KRUSE. I believe it was. I have supporting intelligence information that coincided with various things that he did have to say.

Senator PERCY. In the early 1970s, in addition to Ostrowsky and Dauber can you tell us who were the other major stolen parts dealers in Chicago?

Mr. KRUSE. A great many of the salvage yards in Chicago were fencing stolen parts. If you will look at the 1976 chart for example, you will see the names of Timmy O'Brien, who was associated with Fat Boy's and Irish Keystone. You see Steven Ostrowsky who was associated with the South Chicago Yard; Richie Ferraro who was associated with Statewide; you will see the name of the New Era Ferraro's Yard up there.

Those were some of the major yards at that particular point in time.

Senator PERCY. Did they happen to work independently of each other in running their illegal activities?

Mr. KRUSE. Yes. As I mentioned previously there is no organization of salvage yards or chop shops. Each yard operates independently. We frequently see the truck or vehicle of one salvage yard at another. We see the movement of a counterman when one salvage yard closes down go to another, but there is no organization. There is however, extortion dominance.

Senator PERCY. Mr. Jaroszewski testified that several chop shops worked primarily for Ostrowsky and South Chicago Auto Parts. Based on your information do you believe that each illegitimate yard had several chop shops supplying parts on order?

Mr. KRUSE. From the information that I have which is based once again on intelligence reports, I believe that there are a number of chop shops of various sophistication and permanence that are providing automobile components to salvage yards.

Senator PERCY. What involvement did Catuara have in the Southside chop shop operations?

Mr. KRUSE. Jimmy Catuara was the individual who through various organizational means got the approval I would assume to begin organized crime activities in this particular area. Like any other territorial boss, he was responsible for a number of activities, prostitution, gambling, loansharking, et cetera. He did not involve himself in the day-to-day extortion, in the day-to-day collection of money from the shops. However, he had an individual by the name of Sam Annerino who worked directly for him handling this exclusive portion of his criminal enterprise, the chop shops.

Senator PERCY. Who were Catuara's enforcers while he was trying to dominate the chop shop operation in the Chicago area?

Mr. KRUSE. Catuara used a number of people. Anyone on that particular list could be involved in enforcing. We understand that Dauber was involved in enforcing for Catuara. We understand that Annerino was involved in enforcing for Catuara. Catuara himself had a reputation for extreme violence.

Senator PERCY. You have mentioned the fate of some of these men. Could you tell us what happened to any of those that you haven't commented on?

Mr. KRUSE. Earl Abercrombie was discovered in the trunk of his car and he was dead from numerous bullet wounds. He was last seen alive on July 7, 1977, and was age 34 at the time of his death.

James Palaggio died as a result of a pistol shot in the head. His body was found in a van wrapped in a moving blanket. Palaggio was discovered on August 29, 1977, 46 years of age at the time of his death.

Richard Ferraro, who we mentioned earlier, has been missing since 1977, presumed dead and disposed of. Steve Ostrowsky was killed on October 6, 1976, in the front seat of his car which was parked on a Chicago street. He died from multiple rifle wounds to the torso. A vehicle pulled up beside him, a rifle barrel protruded and he died quickly and violently. He was 34 years old at the time of his death.

Timothy O'Brien was discovered in the trunk of his car on July 1, 1979, as a result of an anonymous phone call. O'Brien died from multiple gunshot wounds to the head. He was 42 years old at the time of his death.

Sam Annerino, July 25, 1977, Annerino was pursued on foot by two men wearing ski masks. He died as a result of numerous shotgun wounds. He was 34 years old at the time of his death.

Jimmy "the Bomber" Catuara, another victim of gunshot wounds. Catuara was pronounced dead at 8 a.m. on July 28, 1978. He was shot-gunned in his car in true gangland style. He was 72 years old at the time of his death.

Senator PERCY. Were any of these murders ordered or approved by the top ranking outfit figures in Chicago?

Mr. KRUSE. The gangland killings from what I understand in regard to their modus operandi need approval. They are well planned, they are executed precisely and they are executed violently. It is not a hap-  
penstance type of a thing. The decision to kill someone may go as high as to Mineral Wells, Calif.

Senator PERCY. The implications of murders are vast enough so that they would have to be approved by the top people.

Senator NUNN. Go as high as what? You said go as high as what?

Mr. KRUSE. Mineral Wells, Calif. That is where Tony Accardo has a part-time residence.

Senator NUNN. Where does he fit into this?

Mr. KRUSE. Tony Accardo is the director of the Chicago organized crime group, the outfit.

Senator COHEN. I would like to raise a question. We talked earlier about the current lack of any kind of a significant judicial penalty that would discourage this kind of activity. In this hearing room some of us may seem sometimes fairly insane and mad. But out on the street in the south side of Chicago it is quite a different element. They even popularized as I recall, "Leroy Brown of the south side of Chicago." This became one of the big hit tunes.

Even with the cultural support, there has to be at least some acquiescence at the law enforcement level, does there not, for this to take place in such a widespread level?

Isn't there evidence of corruption within the law enforcement field itself?

Mr. KRUSE. I would hope that there isn't acquiescence on the part of the law enforcement community in Illinois.

Senator COHEN. We have already heard about at least one example of where there was a \$5,000 bribe being paid to one law enforcement official, and the case was dismissed, the witness before us was released

on several occasions after having been indicted. What do you ascribe that to?

Mr. KRUSE. I would hopefully think that there has been a lot of housecleaning in the law enforcement community. I believe that through the media, and through other sources, that very close scrutiny should be maintained to bring anything out that would cast any type of shadow like that. You can't afford to have a police operation at any level that is not completely and totally honest and dedicated to the enforcement of the law.

Senator COHEN. In your judgment are the police officials doing their best to come to grips with this problem?

Mr. KRUSE. I can only speak for the Illinois Department of Law Enforcement and I have the utmost confidence that our role is becoming more aggressive as time goes by.

Mr. BLOOM. Could I just add, Mr. Chairman, that Anthony Accardo, whom Mr. Kruse has mentioned was named by this subcommittee during the Valachi hearings as a boss of Chicago organized crime.

Senator NUNN. In your opinion he is still in control?

Mr. KRUSE. Yes, sir.

Chairman NUNN. But he is not living in Chicago?

Mr. KRUSE. He has recently sold his house, I believe he has a condominium or is trying to acquire a condominium, and is a part-time resident.

Chairman NUNN. Has he been convicted of crimes? Has he served time?

Mr. KRUSE. I would have to check my files on that.

Chairman NUNN. Could you furnish that for the record?

Mr. KRUSE. I can, yes.

[The following information was provided by Mr. Kruse:]

Anthony J. Accardo was arrested January 13, 1948 for conspiracy to defraud. He was acquitted by jury trial of this charge on November 21, 1948. He was also arrested on April 20, 1960 and charged with three counts of filing false income tax returns. He was found guilty on November 11, 1960 of all three counts and sentenced to 2 years in prison and fined \$5,000 on each of the three counts. Mr. Accardo was acquitted of these charges on October 3, 1962.

Senator PERCY. Could you tell us why Catuara was ultimately unsuccessful in his efforts? What contributed to his lack of success?

Mr. KRUSE. Jimmy Catuara was, as I mentioned, the near south side, boss. He controlled the activities down to 95th Street. He encroached on the territory that is now Albert Tocco's.

Senator PERCY. South of 95th Street?

Mr. KRUSE. That is correct. He was actually gaining control for organized crime. He had made some enemies on the way, he was 72 years old. I believe that the outfit felt that he was vulnerable. He was successful, but he was not in complete control at that point in time of all the chop shop operations.

Senator PERCY. He did not have the full control over and the full support of the enforcers who would regularly extort payments?

Mr. KRUSE. He controlled most of them.

Senator PERCY. He did? Who took Catuara's place in the management of the chop shop operations?

Mr. KRUSE. Albert Tocco.

Senator PERCY. Who is Albert Tocco and how did he rise to his present position in the outfit?

Mr. KRUSE. Albert Tocco is presently the operating director of the south side organized crime element.

Senator PERCY. South side, you say beginning at the Loop and going how far south?

Mr. KRUSE. No, south of 95th Street. Southern Cook County, the northern Cook County area and his control, I believe extends into northwestern Indiana.

Senator PERCY. Covers Joliet?

Mr. KRUSE. It is a fine line. But I am sure his operations do go into the Joliet area. He began his career like many other organized crime figures. You don't go laterally into a position of confidence, trust, and decisionmaking in the outfit. You have to work your way up. And you gain stature and respect as a street level member of organized crime, you prove your loyalty by killing people, by intimidating people, by being a numbers runner, and then move up the ladder. The higher you go, obviously, the more loyal you are.

Senator PERCY. Did top level members of the outfit pick Tocco to replace Catuara?

Mr. KRUSE. Due to the sensitivity of that particular position, obviously it requires a great deal of trust from on high. I think that type of decision would probably have to go right to the top.

Chairman NUNN. Let me just ask one question here now. You are talking about the man presently in the situation. Has Mr. Tocco been convicted of a crime?

Mr. KRUSE. Yes. He has.

Chairman NUNN. Do you have that before you? Do you know it?

Mr. BLOCK. Mr. Chairman, here is a copy of Mr. Tocco's criminal record.

Chairman NUNN. We can put that in the record. Can you just give us a summary?

Mr. BLOCK. Mr. Tocco was charged in 1967 with conspiracy and Dyer Act violations, that is, interstate transportation of a stolen vehicle. He was sentenced to 3 years in the penitentiary and he served time both at the Federal prison in Springfield, Mo., and in Terre Haute, Ind.

It appears from the record that he was paroled in June 1973. He has been arrested numerous other times without being convicted. He was convicted in the 1950's for an offense, but I believe that was later reversed.

Chairman NUNN. I just want to make sure that we have laid a foundation for Mr. Kruse's testimony. On what do you base your judgment that he is now head of this operation in Chicago?

Mr. KRUSE. On intelligence reports, on official police reports, preliminarily.

Chairman NUNN. Is he under indictment in any way now?

Mr. KRUSE. I don't believe so.

Chairman NUNN. What about your previous testimony relating to Accardo? What do you base that judgment on, that he is head of the Chicago organized crime?

Mr. KRUSE. On intelligence reports, on police reports. He has been the subject of numerous investigations and I believe was the subject in one of your hearings some time back.

Chairman NUNN. Thank you.

Mr. BLOCK. Mr. Chairman, I also note that an article on Mr. Tocco recently appeared in a publication called "Searchlight," published by

the Chicago Crime Commission. The article describes Mr. Tocco's history and activities. I ask that the article be made a part of the record.

Senator PERCY. Without objection, so ordered.  
[Article referred to follows:]

[From "Searchlight," published by the Chicago Crime Commission]

#### SPOTLIGHT

[In this and succeeding issues, Searchlight will introduce its readers to individuals who have been identified with organized crime activities in our community, many of whom are not well-known to the general public.]

At about 7 o'clock on the clear sunlit morning of July 28, 1978, the aging and semi-retired James (Jimmy the Bomber) Catuara was gunned down by two men at Ogden and Hubbard on the near west side. Catuara had succeeded the late Frank LaPorte as organized crime boss of the south and southwest suburbs. It had become clear, however, that Catuara's power had diminished and, indeed, there had been reports that Catuara had been urged by others in the crime syndicate to retire to Arizona.

It had become equally apparent that the jockeying for power had manifested itself in the form of infighting over the control of or influence over the highly profitable "chop shop" business in the south and southwest reaches of the Chicago area and that the principals in the struggle were Catuara and Albert Caesar Tocco.

The Catuara "hit" seemed to culminate a series of gangland murders linked to "chop shops" and seemed also to devote Tocco as the clear winner of the struggle for control.

Al Tocco, like Frank LaPorte before him and Al Pliotto with whom he shared power in the southern end of Cook County, is a product of Chicago Heights, where he grew up. Several years ago he moved into apartment 110 at 931 Arquilla Drive in Glenwood, and conducts most business matters from here. Like Pliotto, he maintains a very low profile.

Tocco is one of those rare individuals who has no visible means of support. Yet he has an affinity for big cars, his current one being a 1978 black Lincoln. He also uses a 1977 Mercury Cougar which is registered to his girlfriend, Betty Klapp, of Oak Lawn. His chief activity seems to be shooting pool, for each day he visits the Westside Billiard Parlor at 505 W. 14th Street in the Lincoln Hills Shopping Plaza in Chicago Heights.

Tocco was born on August 9, 1920, and, following one juvenile arrest for sodomy, had his first adult brush with the law in June, 1951, when he and a companion, Thomas Christofanelli, were indicted for the rape of a Thornton area teenager. Convicted in a bench trial before Judge Daniel Covelli, who sentenced them each to 2 1/2 years imprisonment, Tocco and Christofanelli were described by the judge as "gorillas." The following year, however, the convictions were reversed by the Illinois Supreme Court.

In November, 1965, Tocco was arrested when the FBI broke up a major interstate stolen car ring. The gang stole cars, often to order, altered their numbers and then shipped them out of state for resale. On the same day, the FBI broke up another stolen car ring. The investigation of the two rings accounted for over 300 automobile thefts over a span of two years. Police recovered 125 of these cars valued at about \$600,000. Inflation and the high profits of the chop shops have made such auto theft rings seem small time in terms of the dollar volume of the business.

For his part in the car theft operation, Tocco was sentenced to three years plus a fine of \$1,000.

Like many of his business associates, Al Tocco has some connections in the sunny southwest. His brother, Joseph Frank "Papa Joe" Tocco, age 55, is a resident of Phoenix. Joe owned the Golden West Bakery in Tucson until it burned in 1971. Like Al, Joe is also reported to have been an associate of Frankie LaPorte. Joe denies that he even knew LaPorte, but, then, he also denies that his brother Al has anything to do with the mob. By some coincidence, when some people from Calumet City, Chicago Heights and Lansing went to Phoenix in early 1978 to open racetrack messenger services, they rented a location from Papa Joe.

According to a 1978 Arizona Republic article, Papa Joe's Italian Restaurant in northeast Phoenix did a thriving business. Until police surveillances began to be bothersome, Papa Joe's was a favorite hangout for Phoenix mobsters, many of whom had longstanding Chicago connections.

Tocco has always operated behind the scenes. One veteran investigator said that while Tocco has never had a legitimate job or business association, he has always been too smart to get directly involved in stealing anything. In addition, he has always had his own associates to handle the dirty work, chief among them William Earl "Billy" Dauber, who has helped provide muscle for Tocco for more than a decade. Dauber has been described as an enforcer for Catuara but when it became apparent that there was a rivalry between Catuara and Tocco, there was no doubt about his loyalties. Some knowledgeable sources believe that Dauber may be the equal of Harry Aleman in his proficiency as a hit man. In the past, Dauber has had an interest in New Era Auto Parts on Illinois Highway 113 just outside Kankakee and is presently carried on the payroll of Great Lakes Auto Sales, Inc., 1465 East 130th Street, Chicago Heights.

It seems clear, however, that Tocco's power base—and the mob's income—comes not from direct control and operation of a multitude of chop shops but, rather from the collection of tribute from the many independent operators.

Though not involving Tocco, the case of a Des Plaines salvage yard is typical of the mob's operation. A former owner of the yard was \$60,000 in debt to James "Turk" Torello, Tocco's counterpart on the west side. The owner was squeezed out of the business and the mob put its own front man in charge. He was then "assessed" \$2,000 a month, payable directly to Billy Dauber.

The Crime Commission's source advised that the assessments are determined by the gangster's assessment of what an operation can be made to pay. His failure to pay an assessment creates a debt that is then treated like a juice loan, complete with extortionate interest rates and the mob's unique collection methods.

In 1978 Chicago and Cook County recorded more than 42,000 auto thefts. A substantial portion of these cars have gone into the chop shops. This multi-million dollar operation easily provides sufficient motive for the power struggle that apparently culminated in the Catuara murder and the emergence of Al Tocco as the major crime syndicate power in the south and southwest suburbs. Effective control over the chop shops also easily provides enough income, so that Tocco's rank among the mob's upper echelon seems fully justified.

Senator PERCY. In the middle of 1970's while Catuara and his enforcers were attempting to enforce the South Side, where was Billy Dauber?

Mr. KRUSE. Billy Dauber was incarcerated in the Federal prison from 1973 to December 1976.

Senator PERCY. After his release from prison for whom did Dauber work? What was his relationship with Jimmy Catuara, for instance?

Mr. KRUSE. I believe that his relationship had cooled while he was in prison.

I believe Catuara had promised legal assistance, assistance for his family, et cetera. He wasn't provided that. I think he was bitter when he came out of prison, and at that particular point in time, he went back to his youth friend, who was Albert Tocco.

Senator PERCY. What then was his relationship with Albert Tocco?

Mr. KRUSE. At that particular point in time, Tocco was about ready to assume control of the chop shop extortion operations. Dauber had a familiarity with the chop shops, with the auto thieves, and with the salvage yards. He had an established reputation for violence and appeared to be the ideal person to handle Tocco's chop shop activities.

Senator PERCY. Did they have a long time personal, social, and business relationship?

Mr. KRUSE. I understand that they grew up together and began their crime careers about the same time in concert.

Senator PERCY. What role did Dauber play in Tocco's rise to control the Chicago area chop shop operations?

Mr. KRUSE. As the South Side boss, Tocco has responsibility for a number of criminal enterprises. He needed an individual that he had the utmost confidence in to manage a specific operation, specifically the chop shops. He looked at Dauber to handle the extortion, to make sure the money was picked up and brought to him.

Chairman NUNN. Again, Mr. Kruse, where are you getting this information? What is your source?

Mr. KRUSE. Intelligence reports of a confirmed nature.

Chairman NUNN. You are personally familiar with those reports?

Mr. KRUSE. Yes, I am.

Chairman NUNN. You are personally familiar with the people who made the reports?

Mr. KRUSE. Yes, I am.

Chairman NUNN. Have you read them? Have you interviewed the witnesses?

Mr. KRUSE. I have read the reports, I have talked to a number of police officers and a number of confidential informants.

Senator NUNN. So you have been involved in these overall investigations and when you testify about this you are testifying from your own knowledge?

Mr. KRUSE. Yes, I am.

Senator PERCY. In other words, Tocco oversaw the operation while Dauber was the day-to-day manager.

Do I understand that correctly?

Mr. KRUSE. Tocco is the recipient of the proceeds from the various criminal enterprises. He is, I would assume, the decisionmaker that makes the major decisions that have to be made with regard to people, to various events that may have to occur.

Senator PERCY. Is the operation run by Tocco and Dauber identical to Caturara's operation?

Mr. KRUSE. I believe that it is very similar, although greatly expanded. More people are on the arm, the money is coming directly in, from what I understand, to Mr. Tocco.

Senator PERCY. Is it more tightly controlled now than it was?

Mr. KRUSE. I would have to say yes, mainly because of the overtness of the violence, the 14 people that were murdered, the level of the people that appear on the chart prior to 1976, who are now dead.

Senator PERCY. At the time of Timmy O'Brien's death this past May, what was his role in the Chicago chop shop operation?

Mr. KRUSE. Timmy O'Brien, who was operating a salvage yard, was involved in handling various matters for the people that are doing the enforcement for Mr. Tocco. He was also involved in activities with the near South Side organized crime principals. So he was splitting his loyalty at the time of his death.

Senator PERCY. Was O'Brien paying extortion money to Tocco and Dauber?

Mr. KRUSE. I believe that anyone that is operating a salvage yard and is working for Tocco and Dauber is also paying a tribute.

Senator PERCY. If O'Brien was making his payments regularly, why was he murdered?

Mr. KRUSE. O'Brien began a verbal battle through the media with the secretary of state's office and various law enforcement agencies in Illinois. One of the key elements to the success of organized crime is a low profile, a low visibility, and silence, and he was violating all of the basic principles. He was bringing unwanted heat on the chop shops.

Senator PERCY. Are any of Tocco's superiors involved in the day-to-day management of chop shop operations?

Mr. KRUSE. I don't believe so.

Senator PERCY. You think not?

Mr. KRUSE. Not—Tocco's superiors?

Senator PERCY. Yes.

Mr. KRUSE. No.

Senator PERCY. Why weren't they?

Mr. KRUSE. Because they want to maintain a very low visibility. It is not hard to run surveillance on an individual that has to maintain a schedule, that has to be out on the street. The upper echelon members of organized crime don't do that. They meet with people, they spend a lot of time behind closed doors, they make decisions, other people do the legwork for them.

Senator PERCY. If they are not involved in the day-to-day operations, do they, in your judgment, receive a take of the profits from the lucrative chop shop operations?

Mr. KRUSE. Most definitely. Organized crime is a clearly defined system, clearly defined structure. Money is amassed from all of the criminal enterprises, it then moves up the ladder and is apportioned out.

Senator PERCY. Then finally, can you tell us what the outfit does with the profits it pockets in the stolen vehicle parts racket?

[At this point Senators Cohen and Nunn withdrew from the hearing room.]

[The letter of authority follows:]

U.S. SENATE,  
COMMITTEE ON GOVERNMENTAL AFFAIRS,  
SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,  
Washington, D.C.

Pursuant to Rule 5 of the Rules of Procedure of the Senate Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, permission is hereby granted for the Chairman, or any member of the Subcommittee as designated by the Chairman, to conduct open and/or executive hearings without a quorum of two members for the administration of oaths and taking testimony in connection with Professional Auto Theft and Chop Shop operations on Wednesday, November 28, 1970.

SAM NUNN,  
*Chairman.*

CHARLES H. PERCY,  
*Ranking Minority Member.*

Mr. KRUSE. Like all of the money they acquire, some of the money is used for operating expenses, for legal defense fund, other moneys are used to purchase and become involved in legitimate business fronts, land is purchased, they get involved in the entertainment industry, the services industry. It is used for furtherance and the expansion of organized crime.

Senator PERCY. Finally, I would like to ask counsel to put some exhibits in.

Mr. Block. Yes. Senator Percy, we received from Mr. Kruse a number of documents many of which are sensitive and confidential, and I would ask that those exhibits be submitted in the record in bulk as a sealed exhibit.

Senator Percy. Fine. Thank you.

[The documents referred to were marked "Sealed Exhibit No. 22" for reference and are retained in the confidential files of the subcommittee.]

Senator Percy. I want to thank you very much for being here and I will also have the pleasure of giving Governor Thompson a copy of your testimony today. I want to ask you to autograph it. We certainly appreciate your cooperation and your help very much indeed and wish you well.

Mr. Kruse. Thank you very much.

Senator Percy. At this time, if we could have a statement read on behalf of another witness by our chief minority counsel.

[At this point Senator Nunn entered the hearing room.]

Chairman Nunn. I want to ask one other question.

You have testified that you examined these police reports and you have conducted some of the investigations and therefore you realize that Mr. Tocco is at the top and also identified as the man you believe to be the head of the organized crime in Chicago's south suburb. Could you tell us why apparently these people have not been able to be successfully prosecuted and incarcerated?

Mr. Kruse. Yes, sir. We are talking about individuals that maintain extremely low visibility. We are talking about individuals that have other people do their dirty work for them. You are talking about people that control the environment which they meet in, the environment which they live in, the telephones that they make calls on. It is a secret society, if you will.

If you are in a location, you may have the people in the drugstore next door that are watching out for surveillance. You may have other people in the area watching for surveillance. It is very, very difficult to work these people successfully without informants which are probably our best basis for gathering information.

Chairman Nunn. Obviously they live off some kind of income and obviously there is some money flow or they wouldn't be involved in the situation. Has your office in Illinois contacted the Internal Revenue Service and requested any kind of tax examination of any of these people?

Mr. Kruse. The Internal Revenue Service has worked with us, they work closely with the strike force and the Federal agencies. Due to various IRS laws and regulations we are not privy to who they are working on, what information they have. It is essentially a one-way street.

I am not sure they like it any better than we do, but that is just the way the game has to be played.

Chairman Nunn. Is that anything new in the last few years? Has the 1976 Tax Reform Act had any bearing on that kind of coordinated activity with the IRS?

Mr. Kruse. It hasn't loosened the situation up at all.

Chairman Nunn. It has not?

Mr. KRUSE. No.

Chairman NUNN. Has it tightened it?

Mr. KRUSE. Yes, it has.

Chairman NUNN. So the Internal Revenue Service cooperation has been limited based on your experience even more since 1976?

Mr. KRUSE. Extremely limited.

Chairman NUNN. Thank you.

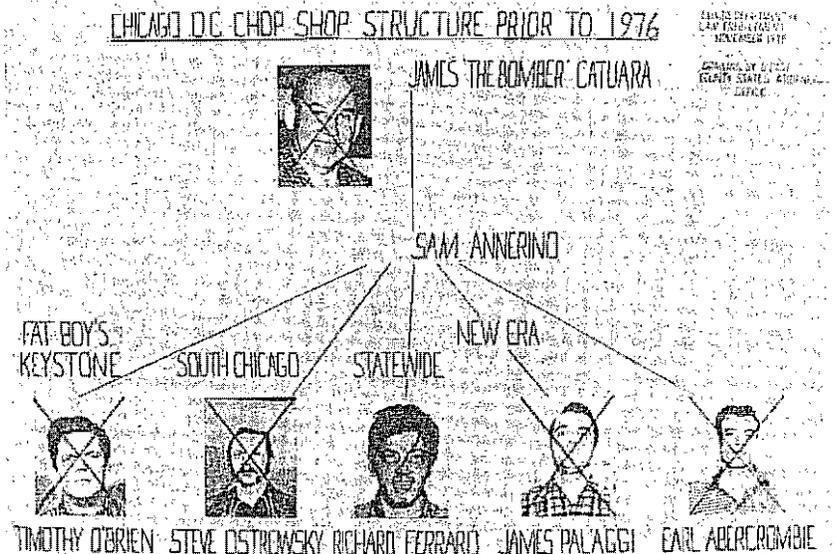
Senator PERCY. Mr. Chairman, have you voted?

Chairman NUNN. No.

Senator PERCY. I think we have all completed our questioning.

Mr. BLOCK. Mr. Chairman, I would like to ask that we make the charts a part of the record.

[The charts referred to follow:]



Chairman NUNN. Fine. I think in support of these charts, we need to have Mr. Kruse furnish any police reports that would back up these allegations.

Mr. KRUSE. Yes. Those have been provided.

Chairman NUNN. Do we have those?

Mr. BLOCK. Yes.

Senator PERCY. Mr. Chairman, we have a statement to be put in the record that will be read by chief minority counsel and then we come to Lieutenant Ivkovich.

Are you coming back?

Chairman NUNN. I will not be able to.

Senator PERCY. I suggest we both go over and vote, but possibly you could go ahead and read this statement while we are voting and we will read every word of it ourselves. Then we can hear from Mr. Ivkovich.

# CHICAGO O.C. CHOP SHOP STRUCTURE - 1979



ALBERT TOCCO



WILLIAM  
DAUBER

COLLECTORS & OVERSEERS



SALVAGE YARDS



CHOP SHOPS



AUTO THIEVES

Chairman NUNN. We will take about a 10-minute recess.

Senator PERCY. If you would go right ahead and read the statement.

[At this point Senators Nunn and Percy withdrew from the hearing room.]

Mr. BLOCH. Fine. At this point, I would like to enter into the hearing record as a sealed exhibit an eight-page signed affidavit by a witness who wishes to remain anonymous, and whom we shall refer to as John Doe. The affidavit describes John Doe's firsthand knowledge of auto theft, chop shops and organized crimes infiltration into chop shop activities in metropolitan Chicago. It has been agreed upon by the subcommittee and John Doe, that the affidavit shall not be released publicly.

We have heard Mr. Jaroszewski describe professional auto theft and chop shop operations in Chicago during the period of 1970 to 1972. The affidavit of John Doe brings us to the present in describing these activities. John Doe was an auto thief. He stole cars in and around Chicago. He stole cars on order, and used similar methods of breaking into vehicles and avoiding apprehension that we have heard discussed by our earlier witnesses. Shopping centers, apartment complexes, affluent Chicago suburbs such as Glen Ellyn; Oak Brook, Skokie, Calumet City, Homewood, Flossmoor, and Chicago's Rush Street area, were all targeted for vehicle theft by John Doe.

John Doe also worked in a chop shop in the Chicago area. Again, like Alex Jaroszewski, the operator of the chop shop where John Doe worked would make certain to destroy any item that would identify the stolen vehicle. The vehicle identification numbers, repair stickers, and private papers were all immediately destroyed. Engines and transmissions which had VINs on them were also quickly discarded. And again, as Mr. Jaroszewski testified, John Doe is aware that the illegitimate salvage yards often made payment by issuing checks to fictitious persons which could be cashed at certain currency exchanges where no questions were asked.

Perhaps most importantly, John Doe's affidavit gives us a firsthand account of how organized crime used violence and intimidation to control and dominate chop shop operations in Chicago. John Doe tells how in 1976 he was approached by a known member of Chicago organized crime. John Doe was told that if he and others wanted to stay in the business of stealing cars and chopping them up, they would begin making monthly payments. The only way to avoid paying was to get out of the business. John Doe describes his delivering a number of monthly payoffs at various locations in and around Chicago.

At John Doe's request, he does not specifically name and incriminate any living person in the affidavit.

I ask that his affidavit be made a sealed exhibit.

[The document referred to was marked "Sealed Exhibit No. 23" for reference and is retained in the confidential files of the subcommittee.]

[At this point Senator Percy entered the hearing room.]

Senator PERCY. The Chair will call as our next witness Lieutenant Ivkovich.

Lieutenant, do you solemnly swear to tell the truth, the whole truth and nothing but the truth so help you God?

Mr. IVKOVICH. Yes, I do.

TESTIMONY OF VLADIMIR IVKOVICH, LIEUTENANT, COMMANDER  
OF THE NORTHERN ILLINOIS AUTO THEFT UNIT, ILLINOIS SEC-  
RETARY OF STATE'S POLICE

Senator PERCY. Lieutenant Ivkovich, commander of the Northern Illinois Auto Theft Unit, is a 15-year veteran of the Illinois Secretary of State Police. On the basis of his extensive experience with the Chicago auto theft situation, as well as his review of intelligence reports on the activities of John Doe, we have asked him to evaluate whether the affidavit comports with Lieutenant Ivkovich's knowledge of the present-day situation in Chicago and John Doe's role in this criminal activity.

Tomorrow, Lieutenant Ivkovich will testify in his own right about his efforts to fight professional auto theft and chop shops in Chicago. He will also provide a firsthand account of the violence and intimidation by which organized crime attempts to eliminate those who would investigate their activities.

Today we will just put three questions to you and go into greater detail tomorrow. Lieutenant, have you read the affidavit of John Doe?

Mr. IVKOVICH. Yes, I have.

Senator PERCY. Do you know John Doe?

Mr. IVKOVICH. I know of him by reputation.

Senator PERCY. In light of your years of experience as an auto theft investigator in Chicago would you say that the information in the affidavit is true and accurate?

Mr. IVKOVICH. Yes, sir.

Senator PERCY. I thank you very much indeed for your appearance today and we will look forward to seeing you tomorrow.

The committee is recessed until 9:30 tomorrow morning in this same room.

[Whereupon, at 1:20 p.m., the subcommittee was recessed, to reconvene at 9:30 a.m., Thursday, November 29, 1979.]

[Members of the subcommittee present: Senator Percy.]

## PROFESSIONAL MOTOR VEHICLE THEFT AND CHOP SHOPS

THURSDAY, NOVEMBER 29, 1979

U.S. SENATE,  
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS  
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS,  
Washington, D.C.

The subcommittee met at 9:40 a.m., pursuant to recess in room 3302 Dirksen Senate Office Building, Hon. Sam Nunn (chairman of the subcommittee) presiding.

Members Present: Senators Nunn, Percy, and Javits.

Members of the professional staff present: Bill Goodwin, staff director; Jerry Block, chief counsel to the minority; Charles Berk, general counsel to the minority; Howard Marks and Richard Shapiro, investigators to the minority; Lynn Lerish, executive assistant to the minority; Stephanie Grill, Bill Mayer, Marie Earl, Jane Aiken, and Adele Linkenhoker, staff assistants to the minority; Myra Crase, chief clerk; and Mary Donohue, assistant clerk.

[Member present at time of convening: Senator Percy.]

Senator Percy [presiding]. The hearings of the Senate Permanent Investigating Subcommittee will come to order.

[The letter of authority follows:]

U.S. SENATE,  
COMMITTEE ON GOVERNMENTAL AFFAIRS,  
SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,  
Washington, D.C.

Pursuant to Rule 5 of the Rules of Procedure of the Senate Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, permission is hereby granted for the Chairman, or any member of the Subcommittee as designated by the Chairman, to conduct open and/or executive hearings without a quorum of two members for the administration of oaths and taking testimony in connection with Professional Auto Theft and Chop Shop operations on Thursday, November 29, 1979.

SAM NUNN,  
*Chairman.*

CHARLES H. PERCY,  
*Ranking Minority Member.*

Senator Percy. We will recall to the witness stand Lieutenant Ivkovich, commander of the Illinois Secretary of State's Auto Investigation Unit.

Lieutenant, you have already been sworn in so that we can now go directly into your testimony. We have previously identified your position, but I would like to indicate that you are a 15-year veteran of the Illinois Secretary of State's Police and have served as president of the 13-State North Central Chapter of the International Asso-

(187)

ciation of Auto Theft Investigators. You bring to this committee not only able experience from the State of Illinois, but also a great responsibility with respect to the 13 North Central States.

During the past 7 years, Lieutenant Ivkovich devoted a great deal of energy to the investigation of the chop shop operations in the Chicago metropolitan area. Two attempts have been made on his life since he took command of the auto theft unit; organized crime figures are believed to have been involved in these murder attempts.

As I understand it, you will describe the highlights of your career as an auto theft investigator in Chicago. Because of the unfortunate attempts on your life, we particularly appreciate your appearance here. I know that your appearance will help the subcommittee a great deal, not only in its investigative efforts, but also because of your strong belief that legislative remedies are needed as tools to help you in your work.

Thank you.

As long as there are no other Senators present, I would like counsel, whenever you have questions that should be asked, to seek recognition and I will yield.

That will go for the majority staff as well.

**TESTIMONY OF VLADIMIR IVKOVICH, COMMANDER OF THE ILLINOIS SECRETARY OF STATE'S AUTO INVESTIGATION UNIT, NORTHERN DISTRICT OF ILLINOIS—RESUMED**

Mr. IVKOVICH. Shall I read my statement now, Senator?

Senator PERCY. Yes, please. Start right in, Lieutenant.

Mr. IVKOVICH. My name is Vladimir Ivkovich. I have been an employee of the Illinois Secretary of State's Police for 15 years and hold the rank of lieutenant. I am the commander of the Northern Illinois Auto Investigations Unit, which includes the entire Chicago metropolitan area. I am also the president of the 13-State North Central Chapter of the International Association of Auto Theft Investigators. I am 48 years old, and have been married to my wife, Joan, for 29 years. We live in Chicago.

I first became involved in auto theft investigations in 1973, when I assumed command of the 12-man Northern Illinois Auto Investigations Unit. My 6 years as commander of the unit represent the most trying and demanding period of my life.

During this time, I have survived two attempts on my life which I believe were made by affiliates of Chicago organized crime figures. My family has suffered and my life has changed drastically as a result of my investigations.

By 1978, the motor vehicle theft problem in Chicago was skyrocketing. At the same time, the recovery rate of stolen vehicles was steadily decreasing. The source of the problem was the illegitimate automobile dismantling, or chop shop, operations in northern Illinois.

On a 1978 visit to South Chicago Auto Parts, a large salvage yard then operated by Steven Ostrowsky, I was shocked to discover that Ostrowsky had, by my estimate, an approximately \$1.5 million inventory of late model body parts. The inventory included complete

sets of undamaged body parts from a majority of late model American automobiles. I believed that Ostrowsky never could have collected such an inventory without participating in a chop shop scheme. And a subsequent check of Ostrowsky's records indicate that almost all the names and addresses of the people who supposedly sold these parts to him were fictitious.

The Illinois Secretary of State regulates all automobile-related businesses, including salvage yards. Following my visit, an administrative hearing was held to determine if Ostrowsky's license should be revoked for recordkeeping violations.

The administrative hearing officer ruled in Ostrowsky's favor. Under existing regulations, the hearing officer found that yardowners were not legally responsible for certain inaccuracies in their records. As a result of that finding, I proposed tighter regulations. These regulations, which were adopted in 1978, are now being strictly enforced by Illinois Secretary of State Alan Dixon after being unsuccessfully challenged by an organization of salvage yardowners in the courts.

Chicago's professional auto theft problem has taken on several different forms. One, of course, is the chop shop operation. This operation is run in the following manner:

Salvage yards receive a request from another yard or body shop for a specific part to be used to repair a damaged car. The yard operator tells the buyer that he has the requested part in stock and that it will be delivered the next day for an agreed-upon bargain price. During the course of the day, the yard operator compiles an order sheet of cars which must be stolen to obtain the promised part. Thieves pick up these order sheets later in the day and steal the cars that evening.

A professional thief can break into and steal a car in under 2 minutes. Once stolen, the car is driven to a predetermined spot. Several hours later, another person picks up the car and drives it to a chop shop, usually a garage in a secluded area. The car is cut and dismantled by a small team of body men. This dismantling process takes no more than 2 hours per car. Marketable, or unnumbered, parts are loaded onto a covered truck. Any component parts with vehicle identification numbers, such as the engine, transmission or cowl, are dumped or crushed for scrap.

The truck delivers the stolen parts to the salvage yard the next morning, and they are sold either directly to the body shop or to other yards with ready buyers. The various functions in the theft chain operation are performed by different people in order to insulate the salvage yardowners from the crime.

"Retag" operations are another source of income for illegitimate salvage yards. Insurance companies are permitted to recoup their losses on wrecked vehicles by auctioning them as salvage vehicles, that is, cars that can be rebuilt. The retag operators purchase a totally wrecked vehicle with its corresponding salvage title at insurance company auctions. Then they steal a car identical in make, model, and year. The vehicle identification numbers—or VIN's—on the stolen car are removed and the VIN's from the wrecked cars are used to replace them. The secretary of State's office upgrades the salvage title to a clear title upon presentation of a signed affidavit that the wreck has been rebuilt.

The stolen car can then be resold at a very substantial profit. One way to significantly reduce the re-tag problem would be to allow insurance companies to sell those vehicles clearly beyond repair only as junk which could not be rebuilt and retitled.

Another problem area, and one that is on the rise, is the lucrative business of insurance fraud. Insurance companies insure automobiles over the telephone without in most cases ever physically inspecting the vehicle. A person may falsely report a vehicle stolen—even a nonexistent vehicle—collect for theft, reinsure the car with change of title or VIN change, and soon report it stolen again. Inspecting vehicles prior to insuring them would eliminate some of this problem.

Chicago's illegitimate salvage yards supply many of the late model body parts purchased in the Midwest. Detroit, Kansas City, St. Louis, Iowa City, Milwaukee, Indianapolis, Cincinnati, Louisville, Nashville, and other cities all receive a significant number of their late model body parts from the Chicago area yards.

The reason Chicago dominates such a large part of the market is because the chop shop operations in Chicago are the most sophisticated in the country.

Organized crime now controls Chicago chop shop operations. According to our intelligence reports, the thieves, chop shop operators, and salvage yard owners trafficking in stolen parts all pay protection money to the "Outfit"—the name given to Chicago organized crime. If you don't pay, you can't stay in business; it's that simple. The Outfit doesn't tolerate people who don't follow the rules.

Chicago has become a training ground, of sorts, for chop shop operators. People who have gained expertise in Chicago crime chop shop operations are now fanning out across the Nation.

I know of salvage yard owners in Iowa, Michigan, Indiana, and Florida doing business in stolen parts who learned their trade in Chicago.

It is my belief that unless strong and forceful measures are taken at both the Federal and State level to cope with the escalating chop shop problem, the motor vehicle theft rate and insurance premiums will continue to climb rapidly.

Mr. SEARNO. At this time, I would like to submit for the record copies of exhibits which support Mr. Ivkovich's testimony. The exhibits include hearing reports, judicial rulings, and copies of police reports on bombings and firings of bullets through windshields. I would now like to submit this as one bulk exhibit.

Senator PERCER. Without objection, so ordered.

[The documents referred to were marked "Exhibit Nos. 24A through 24R" for reference. Exhibits 24A-24E and 24G-24Q will be found in the files of the subcommittee; exhibit 24F and 24R follow:]

EXHIBIT No. 24F

CROSS REFERENCES

Section 1-118—Essential Parts.

Section 3-117—Scrapping, junking or destroying vehicles.

Section 4-100—Definitions.

Section 4-102—Offenses relating to motor vehicles and other vehicles.

Section 4-100—Principals.

Section 5-100—Definitions.

Section 4-107—Stolen, Converted, recovered and unclaimed vehicles.

Section 5-301—Transporters must apply for in-transit plates.

Section 5-301—Used Parts dealers, scrap processors, automotive parts, recyclers and rebuilders must be licensed.

Section 5-401—Licensees required to keep records.

Rule 5-401A—Required Records For Used Parts Dealers, Scrap Processors, Automotive Parts Recyclers And Rebuilders.

Each person or firm licensed pursuant to Section 5-301 of the Illinois Vehicle Code is required to maintain for a period of three years subsequent to the acquisition, disposal, wrecking, rebuilding or scrapping of vehicles or parts thereof, a uniform record of such transactions at his principal place of business. Such records shall be kept in a ledger commonly referred to as a "Police Book". The "Police Book" shall be a double-entry type ledger reflecting the required information at the time of acquisition and at the time of disposal. The required information shall be, but without limitation, as required hereunder.

1. Upon the Purchase, Receipt or Acquisition of Vehicles, Parts, Bodies or Engines, the following information must be recorded.

A. The name, address, and verification of same, of the person from whom acquired. Verification shall be by Driver's License, or if none, then State Identification Card, or if none, other reliable identification.

B. The date and type of acquisition (i.e. sale, exchange, etc.)

C. The purchase price and type of payment (check, cash, etc.)

D. A description of the vehicle or part, including:

1. The year, make and model;

2. Engine serial number if applicable;

3. Vehicle serial number if applicable;

4. The year, make, model and manufacturer's identification number of the vehicle from which the part was removed.

E. Any other identifying marks or numbers.

F. Documentary proof of ownership (e.g. title, notarized bill of sale, salvage certificate or junking title) and appropriate title number.

G. Whether any serial number or other identifying mark of the manufacturer or Secretary of State has been altered, defaced or removed.

2. It shall be the responsibility of every licensee hereunder to inspect every vehicle or part acquired. If there is any evidence that any serial number thereon has been removed, altered, defaced or destroyed, the licensee shall notify the Secretary of State.

3. Upon the sale, exchange or other disposition of vehicles, bodies, chassis, engines or parts, the following information must be recorded:

A. The name, and address of the person to whom sold or transferred;

B. The date and type of transfer; (i.e. sales, exchange, etc.)

C. The sales price and type of payment;

D. A description of the vehicle, body, chassis, engine or part including:

1. The year, make and model;

2. The engine serial number if applicable;

3. The vehicle serial number if applicable;

4. Any other identifying marks or numbers;

E. The title, salvage certificate, or junking title assigned or other ownership document given.

4. "Parts" shall include vehicle hulks, vehicle frames, and all essential parts and component parts as defined in the Illinois Vehicle Code, such as clips, doors, fenders, differentials, frames, transmissions, etc. "Parts" does not include carburetors, generators, radiators, steering wheels, etc.

5. Separate records for each vehicle or part shall be kept. Such records shall be clearly legible and open for inspection at any reasonable time by any authorized representative of the Secretary of State or any peace officer. The Secretary of State may prescribe forms for the maintenance of such records.

6. Any person or firm who violates or fails to comply with the provisions of this rule may have his license denied, revoked or suspended in accordance with Section 5-501 of the Illinois Vehicle Code.

[Filed August 8, 1978, effective August 18, 1978.]

parts from Chicago. In addition, Chicago is the training ground for chop shop operators in other parts of the country. After learning how the operation works in Chicago, some operators move to other areas in the country where professional auto theft does not exist, but where the demand exists. They then set up a salvage yard and start developing new body parts markets. I know of salvage yard owners in Iowa, Michigan, Indiana, and Florida now running stolen parts operations, who obtained all their chop shop expertise in Chicago.

When in my investigation unit I first realized that I would be crossing paths with organized crime, I was concerned, but not at all fearful, about my physical security. I naively believed that organized crime members were basically Damon Runyon characters. I thought that as long as you went about your law enforcement business in a straightforward way, they would respect your professionalism and not personally harass you for doing your job. This mistaken impression was shattered in 1978.

In December 1977, my unit busted several chop shops and made a number of arrests of known auto thieves and chop shop operators. Then on the morning of February 9, 1978, my car, which was parked in front of my home, had its rear window shot out during the night. I interpreted it as a message from organized crime to ease up in my efforts. The fact that the car was shot at in front of my house was a message that organized crime knew where I lived and could get to my family if it wished.

Rather than backing off, this threat increased my commitment to reducing auto theft. I realize that with my experience I could have found a job that would pay more and provide me with far safer working conditions. However, to do so would have been shirking my responsibility not to mention the terrible example it would have set for my investigators who have placed their lives on the line. For example, three of my investigators have received similar warnings to back off their investigations. One investigator, Marion Vitik, had his parked car set on fire in front of his house while Robert Moravack and Dennis Seraanfi had their rear windows shot out during the night.

However, I did feel it was necessary to begin to take extreme safety precautions. Now, before I get into my car, I always crawl under it to check for explosives. Furthermore, whenever I walk in public, I am always armed.

Approximately two months after this incident, while backing up my squad car, I noticed a strange sound when I hit the brake. I decided to take no chances and immediately took the car into a local dealer. The mechanic told me that someone had loosened my left tie-rod section on the axle to the wheel. It was so loose that if I had driven the car that day without first repairing the part, the tie-rod would have come loose and caused my steering wheel to suddenly malfunction, possibly causing a serious accident.

I realized that this was not a warning, but a well-planned attempt to quietly murder me. But, I concluded that if the chop shop operatives were out to kill me, this was evidence that my unit was making serious inroads into their operations. So, I extended my precautions to my entire family, and contrary to my wife and children's opposition, I continued applying greater pressure to the salvage yards.

We increased our surveillance, stopping and checking trucks as they neared known illegitimate salvage yards. Occasionally, we would find a body part on a truck, still with a federal sticker on it, which could allow for positive identification of the part. However, usually the cutters were very meticulous. They seldom left any markings on the parts. During this time, we also developed some good informants and managed to bust several major chop shops.

Then on July 8, 1978, at approximately 5:59 a.m. on a Saturday morning, I was awakened by the barking of my dog. I got up to let my dog out. I opened the kitchen door at the side of my house and as I did so I heard a clanking sound. I looked down and saw a smoking 10-inch pipe bomb lying at my feet. Dressed in my pajamas, ran for cover behind a tree and tried calling my dog to get him away from the bomb. I rolled a ball in his direction and when he brought it to me, I quickly picked him up and ran barefoot away from the house, down the alley, around to the front of the house. I rang the doorbell. My wife, Joan, came down and I told her to wake my daughter Lorraine and evacuate the house immediately because there was a bomb about to explode near the house. I called the Chicago Police Department and told them that there was a bomb near my back step.

A sergeant from the Chicago Police Department Bomb and Arson Squad came and deactivated the bomb. He said that when I knocked the bomb off of my back step, the bomb's fuse was deactivated with only a minute left on it. The fuse had burned for four minutes. It was a pipe bomb made with black powder and shrapnel packed inside a lead pipe. I was told it was powerful enough to destroy the entire side of my house. There was also a very good possibility that the explosion would have ignited the gas range in my kitchen which would have blown up the entire house and started a ravaging fire. What upset me most about this incident is that the lives of my wife and daughter were jeopardized. I recognize and accept the responsibilities of my job. However, there was no reason that my family had to be targeted in senseless acts of violence.

These attempted murders have left their mark on my family and on me. In August 1978, one month after the bombing, I suffered a gall bladder attack which my doctor said was triggered by excessive nervous tension. It took seven weeks of recuperation before I was able to return to work. My family and I soon after held extensive discussions about my job after the bombing of the house. They were extremely worried about my security, but agreed to support me if I chose to remain as commander of the auto theft unit. But I knew that I couldn't back off from the challenge. I had invested too much time and effort, made too many personal sacrifices during five years as commander of the Northern District Auto Theft Unit, to simply walk away. My family did not approve of my decision, but they understood.

An interesting thing happened several weeks after the bombing. My auto theft unit, in conjunction with the Chicago Police Department, Illinois State Police, and the Cook County Sheriff's Police, initiated a 24-hour surveillance of the major illegitimate salvage yards. We inspected every truck entering the salvage yards, stopped cars in the area, and monitored the comings and goings of everybody and everything entering the yards. In a matter of days, many professional automobile thieves left town, en masse, and went on extended vacations. The auto theft rate in Chicago declined significantly and the illegitimate yards under surveillance temporarily closed down. Usually, I hear 14-20 stolen car reports on my police radio daily. However, during the period we maintained our surveillance, I never heard more than two reported thefts in any one day. Eventually the surveillance was lifted. The targeted yards had obtained a court order, on the grounds of harassment, requiring us to remain at least 200 feet away from the yards without a search warrant. But the impact we had on the theft rate for the five weeks we maintained an around-the-clock surveillance demonstrated the influence the chop shop operations have on auto theft in Chicago. This experience leads me to estimate that 70 percent of all the cars stolen in the Chicago area can be attributed either to chop shop or retag operations.

After the bombing, there was strong support for getting tough. Exactly one month after the bombing, Secretary of State Dixon promulgated my proposed rules. I was confident that these rules would turn the tide against the chop shop operations regardless of their organized crime ties.

The new regulations were challenged by an organization representing nine major salvage yards. A Cook County Circuit Court judge enjoined Secretary of State Dixon from enforcing the rules, claiming they were vague and exceeded the Secretary of State's statutory authority. The Illinois Supreme Court overturned the ruling on January 24, 1979. That ruling was appealed to the U.S. Supreme Court which refused to hear the case on October 1, 1979. Consequently, Secretary Dixon is now requiring the stringent enforcement of the regulations.

However, rather than eliminating the problem, this administrative approach is only going to radically increase the problem in the states bordering Illinois. Already I have heard that the yards and many of the thieves plan to move to Indiana, Kentucky, and Iowa where the salvage yards still are not tightly regulated. This is why federal action is so vital. If Vehicle Identification Numbers are placed on the major sheet metal parts, chop-shop operations will be virtually eliminated in Illinois.

All we would have to do is to go into a suspect salvage yard or repair shop, read the VINS on various body parts, and call the National Crime Information Center computer to determine if these parts come from stolen cars. If they do, the yard or shop owner may ultimately be prosecuted on a state felony charge

of trafficking in stolen merchandise. Corresponding with the passage of a law requiring the placement of VINs on specified parts, another law should be passed which makes changing or removing VINs a criminal violation. Consequently, if we search a repair shop and find a part on its premises which has had its VIN changed or removed, the repair shop owner might also be prosecuted for possession of a part which had an altered VIN. In short, the profits made by salvage yards and repair shops trafficking in stolen parts would hardly outweigh the considerable risk of getting caught and being prosecuted for a felony offense. Presently, body shops face virtually no risks for purchasing stolen parts, because once the parts have been removed from the car, they cannot be identified as stolen.

If no significant legislative action is taken on the federal level, the country will suffer dire consequences. Organized crime nationwide will strengthen its foothold in professional auto theft as it has already done in Chicago. Through intimidation and violence, organized crime will quickly take over all operations in major metropolitan areas, making auto theft one of the principal activities of the crime families. In short, unless law enforcement has the proper legislative tools, which we do not now have, we will not be able to reduce or even curb the professional auto theft problem.

I have read, reviewed, and initialed each page of this statement, and I swear, to the best of my knowledge and belief, that the statements contained therein are true and correct.

VLADIMIR IVKOVICH.

Sworn to and subscribed before me this 28th day of November, 1978.

DONNA E. WOOD,  
Notary Public.

My Commission Expires January 1, 1982.

Senator Percy. Lieutenant Ivkovich, we have quite a lot in common. We have been married the same length of time. We have had attempts on our lives and we know what that does to families. I have lost one member of my family through murder.

The attempts on my life, one as recently as 3 months ago, resemble those made on the lives of other public officials. These are generally made by demented people who are protesting against society.

In your case, with organized crime involvement, a threat is much more serious. A contract is let out by professionals and the follow-through is pretty good. Would you mind describing how you happened to feel that they were attempts by organized crime, and any of the details with respect to those two attempts on your life?

Mr. IVKOVICH. All right, sir. In early February 1978 I got in my vehicle one morning and I was backing up and I heard a clunk come out of the front of the vehicle. I tried it again, backward and forward and more noise. I had taken it in to a local dealer and figured it might have been something with the realignment system. And the mechanic checked it and he said that the A-frame was loose and he believed it was tampered with. I think it took him about an hour to retighten it and he realigned the wheel.

But afterwards I would check my vehicle in the morning before I would drive away, look under it, and so forth.

Senator Percy. I would like to say, before I start the questioning, that this committee is an extraordinarily nonpartisan committee—in all my years as a ranking member, I have never seen the slightest partisanship. I am also delighted that there is no partisanship in the work that I have done with Allan Dixon, the Secretary of State. He has followed through in a state effort to upgrade regulations that as you pointed out in your testimony, made it extraordinarily easy for operators to work in this field in the past.

If we were to elevate this problem, which essentially has been dealt with by State and local law enforcement, we would bring in the vast resources of the FBI, the Justice Department, and other agencies of the Federal Government. Would the criminal element, including organized crime, take note of this? And would that help State law enforcement officials fight this particular problem, which has become not only regional but also nationwide in scope?

Mr. IVKOVICH. Yes; I do. I would say that Federal legislation would be the answer.

Senator PENCY. We will get into some of the details of that later. I think it is important that we point out that we need to work together; that is, State and Federal, and local law enforcement agencies.

Could you amplify your comment that the chop shop operations of Chicago are the most sophisticated in the country? What do you mean by sophistication in this particular field?

Mr. IVKOVICH. The way they keep inventory on hand; they are connected. We have had two or three instances where cars were stolen and I might mention our former secretary of state, Michael Howlett's State car was stolen in front of his house. I got a call at 9 o'clock one Saturday morning from Springfield that the vehicle was stolen in front of his Chicago home. I was told to go find the car, more or less.

Senator PENCY. Wasn't it interesting, though, that, once they stole Mike Howlett's car, word got out pretty fast that this was a really hot car that shouldn't be touched.

Mr. IVKOVICH. That's right.

Senator PENCY. Could you describe how that word traveled through the system so quickly stopping the car from being chopped?

Mr. IVKOVICH. It was recovered. I was able to get about four of my men together and we met in the coffee shop and we came up with sort of a battle plan, kind of figured where the car was stolen and the type of car it was, and we were figuring who was specializing in Lincolns. This was a 1974 Lincoln. We fanned out through the area and made certain contacts and let these people know that if anything happened to this car, I am pretty sure that the secretary would have been disturbed and approximately 4 hours later the car was found in the alley with the motor running, so it was dropped.

Senator PENCY. One other aspect of Chicago chop shop operations—I don't want to seem parochial, but I was, of course, struck by the fact that Chicago is now deemed to be the center of the chop shop operations by law enforcement officials.

You have described Chicago as almost a training ground for the entire Nation. If we can curtail the problem in Chicago, we can perhaps slow its spread. Can you tell us to what extent Chicago has become the graduate school of chop shop operations for those in Indiana, Florida, Michigan, Iowa and, I suppose, out West, as well?

Mr. IVKOVICH. Some of the individuals start out in Chicago and they have got quite a few shops working in Chicago and I just think that instead of shipping some of the parts out that they will go to other parts of the country and set up shop.

Senator PENCY. Let's start right in on protection payments. How do you know protection money is actually being extorted from the chop shop operations?

Mr. IYKOVICH. That is correct.

Senator PERCY. Have either you or your investigators been offered a bribe by chop shop figures?

Mr. IYKOVICH. Yes. I have.

Senator PERCY. Who made the offer?

Mr. IYKOVICH. Timothy O'Brien, former owner of Irish Keystone Auto.

Senator PERCY. How did you respond?

Mr. IYKOVICH. I told him I wasn't interested. I had attended an auction that he had. Timmy O'Brien at times would have his overstock auction. This would be a lot of rear clips. Rear clips aren't that much in demand. Most of the damage is done in the front of the vehicle. Possibly every 3 or 4 months he would have an overstock auction and I attended this thing because I wanted to see who the thieves were that were coming there to buy.

Senator PERCY. What happened to Timmy O'Brien?

Mr. IYKOVICH. He was found in a trunk, I believe either in July or August. He was shot.

Senator PERCY. He was shot. Do you know why he was shot?

Mr. IYKOVICH. There is a lot of speculation on it. He was getting a lot of publicity. He took out a full page ad one day. He felt he was being harassed and in this full page ad it showed a picture of him and he says, "Would I hurt my mother?" something to that effect, and I think what the people that he was associating with—I think possibly that they might have felt he was getting a little too noisy.

Senator PERCY. Let's explore the threats and murder attempts on your life.

Were you at all uneasy about investigating organized crime figures?

Mr. IYKOVICH. I wasn't at first, Senator, because I always figured that these people were Damon Runyon types and as long as you went away, went about doing your business, doing your work, not getting personal, not harassing them—in other words, if you found them dirty, lock them up. It has been my experience in the past, I have had some dealings with organized crime figures in my investigations and some heavy ones and I have never really had a problem, never had a threat.

Senator PERCY. Now chop shops have been described by every witness on both sides of the fence as a very, very lucrative business.

Mr. IYKOVICH. Yes, it is.

Senator PERCY. Did your attitude about dealing with organized crime change, and if so, why?

Mr. IYKOVICH. The second attempt on my life, I should say my life, my wife's and daughter's, it was July 8, if I can describe what happened.

Senator PERCY. July 8 of what year?

Mr. IYKOVICH. 1978. It was early in the morning, July 8, 1978. I was sleeping in my upstairs bedroom, and I've got a little poodle, a little black poodle that jumped on the bed and was just going absolutely wild. I mean, just unreal. I figured he had a problem, he wanted to go out. I was in my pajamas, and I walked downstairs, went through the living room, the dining room, the kitchen, and as I opened the back door—I had the storm door closed, locked—and as I opened it I heard a clang and I looked down, and rolling over the

sidewalk onto the grass was a 9-inch pipe bomb, and I can tell you one thing, Senator, that thing looked like a 55-gallon drum to me at that time.

The dog got out and was smelling this thing. What I had done, I tried to grab the dog, which was a very foolish thing. I was standing right over this thing. I realized what I was doing, I've got a tree in my yard. I got behind the tree, trying to retrieve the dog, which I finally did. I ran to the front of the house, through the alley, and rang the front doorbell. I kept ringing it, and my wife came downstairs, and I told her, "There is a bomb in the back yard, get our daughter Laurie out of the House," which we were able to get everything out of the house OK and called the Chicago Police Department.

They sent a sergeant over to investigate. He called bomb and arson, and they deactivated the bomb.

Senator PERCY. Before these attempts on your life did you carry a gun?

Mr. IVKOVICH. Yes, sir. Well, on duty—

Senator PERCY. While off duty, you did not carry a gun?

Mr. IVKOVICH. On duty I would always carry the gun, but even though we are required to carry it 24 hours a day, many times I would go out with my wife without the gun.

Senator PERCY. Has this changed?

Mr. IVKOVICH. Yes. I do carry my weapon now.

Senator PERCY. So now you carry a weapon 24 hours a day; even if you take your wife and child to a movie, you carry a gun?

Mr. IVKOVICH. Yes. I do.

Senator PERCY. Because now you feel that—

Mr. IVKOVICH. I am concerned.

Senator PERCY [continuing]. You are on guard 24 hours a day?

Mr. IVKOVICH. Yes, sir.

Senator PERCY. Did this attempt on your life affect your approach to investigating chop-shop operations?

Mr. IVKOVICH. After the second attempt, actually after each attempt, I increased our activity, and I think we were making some pretty good inroads, because we were making many arrests and recovering a lot of vehicles. But after the second attempt with the bomb I was able to contact other agencies for assistance—the Illinois State Police, Cook County Sheriff's Police, Chicago Police Department—and as a task force we had 12 major yards under 24-hour surveillance. What we would do, we parked down the street from these salvage yards and watched for trucks that were bringing in automobile parts, and the word got out. We had that for about 5 weeks, and the activity at these yards came virtually to a halt.

They went into court and claimed they were being harassed, and the judge advised us that we had to stay 200 feet away, which wasn't a real problem, because we never went any closer anyway.

Senator PERCY. I feel that personal experiences in our lives motivate us in our public life. I know certainly the Kennedy family experience has motivated Teddy Kennedy to be much more dedicated to gun control.

In my own case, we have evidence that the murder of my daughter was perpetrated by a gang out to get money for drugs. This compul-

sion to get money for drugs led them to take incredible risks, even breaking into a suburban home. This has certainly affected my attitude toward drugs and the resulting harm to both the user and society.

Has this attempt on your life in any way dampened your enthusiasm for moving into this field, or did the attempt intensify your commitment to find an answer to this problem? I am sure those organized crime members following these hearings will be interested in your response.

Mr. IVKOVICH. The first thing that happened, Senator, right after the bombing or the attempted bombing I had a meeting with my wife and three daughters. And two of them are married, and I had one at home at the time. And I really had to take a hard look at it. I mean it is one thing, my safety, because there is a certain amount of risk on our job, but I didn't want to see my wife and daughter get hurt for a job. And I had to make a decision. And my wife, my daughters, felt that if the State would support me and really go after these people, that I should stick with it. That is what I did, and we have intensified our enforcement.

Senator PERCY. I commend you. And I want to thank your wife and daughters for their support of you.

Has the tension you have been under affected you physically in any way?

Mr. IVKOVICH. Again, right after the bombing I was under a terrific amount of strain and tension, and approximately a month after this incident I wound up with a gall bladder attack. I went to my doctor, and he asked me if I was under any pressure or anything, you know. I didn't really, my wife just said, why don't you mention the bomb to him. But anyway, the upshot of the whole thing was I did wind up in the hospital. I had to have surgery and I was out of work for about 7 weeks.

But, yes, I think that that had quite an effect. I have never had any problems prior to that as far as being ill. But I was under a terrible amount of pressure. I can tell you that.

Senator PERCY. I think that is an extraordinarily interesting thing. The evidence is rather conclusive that cigarette smoking will cause cancer; this has been medically proven. A dear friend, a classmate of mine, was a doctor at Mayo. He wrote me a letter that I kept for a long time right under the glass on my desk, stating that there were certain cases that came to Mayo that were untreatable, as there was no physical basis for the internal problem. These problems resulted from the tension under which we work in corporate life, and his point was that we must be taught how to relax.

In your case, we have direct testimony of a stress-induced ailment. Very few people realize that law enforcement officials are under pressure 24 hours a day, as are their families.

Most people succumb to the pressure and quit, saying, "Life is too short for me to take these kinds of risks." I would hope that there are enough of you with the guts to stay with it, so that we find a remedy for this grave problem.

How long were you laid up, by the way?

Mr. IVKOVICH. Seven weeks.

Senator PERCY. Have similar acts of violence been directed against other investigators in your unit?

Mr. IVKOVICH. Yes. Investigator Marian Vrtik, who is one of my men—very, very able investigator—had his squad car burned completely, totaled out. They sabotaged his boat, to the tune of about \$2,900. Investigator Mike Cobb from East St. Louis, shots were fired through the bedroom of his home at night, missed his head by about 6 inches. And investigator Serafini, one of my men, had the window shot out of the car. Investigator Moravarek, another investigator, had his window shot out, and, again, Sergeant Piltaver had his window shot out.

I think the shooting at the windows was the message that they knew where we were living.

Senator PERCY. In your judgment, were the same people behind these acts? Is there any evidence that the same people were involved in these incidents?

Mr. IVKOVICH. I would think, I believe it was the same people.

Senator PERCY. Could you estimate the percentage of the vehicle theft in the Chicago area attributable to professional thieves?

Mr. IVKOVICH. I would probably say 65 to 75 percent by professionals.

Senator PERCY. Sixty-five to seventy-five. How does that compare with a decade ago?

Mr. IVKOVICH. It is on the increase.

Senator PERCY. Pardon?

Mr. IVKOVICH. It is on the increase.

Senator PERCY. Substantially on the increase, would you say?

Mr. IVKOVICH. Yes.

Senator PERCY. Would you say that 15 or 20 years ago the majority of thieves were not professionals? Is there heavy professional involvement now?

Mr. IVKOVICH. Yes. I would say that it is professional.

Senator PERCY. What basis do you have for making that kind of an estimate?

Mr. IVKOVICH. The investigators that we see in these various salvage yards, the types of vehicles that are stolen, I don't think it would be the joyriders for the simple reason the professional can defeat the locking system and I think if it was joyriders or someone that wasn't professional, I think they would have problems circumventing the locks.

Senator PERCY. Following the bombing attempt at your home, was a special surveillance placed on the salvage yards and if so, what effect did that have on the theft rate?

Mr. IVKOVICH. It dropped substantially.

Senator PERCY. Did they know they were under 24-hour surveillance?

Mr. IVKOVICH. Yes. They knew it. We weren't hiding. We were out in front.

Senator PERCY. The heat was on, and as long as the heat was on, the theft rate declined?

Mr. IVKOVICH. Right.

Senator PERCY. By what percent?

Mr. IVKOVICH. I don't know what the percentage would be, but I know it was down to about 2,000 for the year and just in Chicago in that period, the South Side of Chicago, about 514, I believe is the figure.

Senator PERCY. What percentage of the vehicles stolen by professionals are dismantled for parts?

Mr. IVKOVICH. I would think about, possibly 65 to 80 percent and you would have approximately 20 percent that would be tagging operations and possibly insurance fraud.

Senator PERCY. And the tagging operation involves stealing a vehicle and giving it a clean title?

Mr. IVKOVICH. A VIN numbers yes.

Senator PERCY. Let's talk about the nature of the thieves in the business. On the average, how many cars would a professional thief steal on any given evening in Chicago?

Mr. IVKOVICH. A good thief, probably four to five cars in the evening.

Senator PERCY. Does he work an 8-hour night then?

Mr. IVKOVICH. Usually start out possibly 11 o'clock at night and they might go to maybe 4 in the morning, maybe 5.

Senator PERCY. Eleven to four or five?

Mr. IVKOVICH. Right.

Senator PERCY. So this is entirely an evening operation, after dark?

Mr. IVKOVICH. Yes.

Senator PERCY. How much would the thief earn per stolen car?

Mr. IVKOVICH. It would depend on the vehicle, but anywhere from \$200 to \$500 a car.

Senator PERCY. So you are talking then about \$1,200 to \$2,000 a night?

Mr. IVKOVICH. In some cases, yes.

Senator PERCY. That would be \$75,000 or more a year then?

Mr. IVKOVICH. Easy, yes.

Senator PERCY. Easily?

Mr. IVKOVICH. Easily.

Senator PERCY. What cars are now the most popular targets of thieves? And I ask this because I think, again, one of the principal purposes of a public hearing is to share the information we have gathered from our intensive 15-month investigation with as many people as we can. Owners of these cars should know they are prime prospects.

Tell us what models are the most popular targets for thieves and why?

Mr. IVKOVICH. You can take the Corvette, that is popular. The Corvette is popular, your Oldsmobile Cutlass, used to be a luxury car, was a big thing, but most of your luxury cars are gas guzzlers, so whatever is in demand. If they are selling a lot of small cars, I am sure that the small car theft rate is going to increase.

So, whatever is in demand, that is probably what they are going to be stealing.

Senator PERCY. Can you tell us why those particular cars are the most popular cars for automobile thieves?

Mr. IVKOVICH. For a retagging operation, they would be easy to sell, something that is in demand. They put an ad in the paper, a Corvette, a Cutlass, Camaro, Firebird, those are always eye-catchers.

Senator PERCY. Could you also describe, because we had one witness yesterday who talked a little about the Metropolitan Chicago area, the biggest theft areas in Metropolitan Chicago?

Mr. IVKOVICH. I would say the South Side of Chicago, then you get into the suburban areas.

Senator PERCY. When you say the South Side, do you mean the inner city areas or do you mean the south shore along the lakeshore?

Mr. IVKOVICH. I would say that when I talk about the South Side, I would say anything south of Madison Street, to the Will County line, from the lake to the Du Page County line. Then you could go over into Du Page County where the apartment complexes are located, but all the way up to the Will County line on the south and to the west.

Senator PERCY. But you think the South Side is a bigger target area than the North Side and the North Shore?

Mr. IVKOVICH. Yes.

Senator PERCY. Despite the fact that the concentration of wealth is pretty heavy there? How about the Gold Coast?

A thief commented yesterday on the Gold Coast.

Mr. IVKOVICH. There are a lot of vehicles stolen out of the Gold Coast, the garages and what not.

Senator PERCY. Again, we want to alert the public as to the areas where they should take extra precautions with their car. If they have a popular car, parked in a target area, they are probably five times as susceptible to theft as someone else in some other area with another model car.

Mr. IVKOVICH. Yes.

Senator PERCY. Have any of Detroit's innovations in its ignition system made it more difficult for thieves to steal late model vehicles?

Mr. IVKOVICH. I don't believe so. They are still getting them. I don't think they have come up with an effective system.

Senator PERCY. They have not. Let's compare the 1980 General Motors cars to the 1970 GM models. In the seventies, the crime rate has increased at astronomical rates, including the year 1977 to 1978 and I presume 1978 to 1979. Efforts have been made by the manufacturers to tighten up the ignition systems, make cars more difficult to steal.

In your judgment, you are testifying that it is really no more difficult for a thief to steal a car today than 10 years ago?

Mr. IVKOVICH. I think it is easier to steal a car today.

Senator PERCY. It is easier?

Mr. IVKOVICH. It is easier.

Senator PERCY. Why is it easier?

Mr. IVKOVICH. They designed their own tools and it seems like no matter what the factory comes out with, the thief is going to come up with something to circumvent the system.

Senator PERCY. You talked about the sophistication of chop shops. Are the techniques employed by thieves today also more sophisticated?

Mr. IVKOVICH. Yes; they are.

Senator PERCY. I facetiously suggested to one of our witnesses, a very successful thief, that he go to work for Detroit, or for the Automobile Manufacturers Association.

I am not putting the finger on any one manufacturer. It is obvious that if one manufacturer has the most popular cars, they will be the

biggest target, and there is no way to avoid that. But shouldn't they sit down with some of the most sophisticated thieves and ask them for help in designing a system that could not be defeated? Maybe they will do it now.

It is ridiculous that we can't use their talents at the design end.

[At this point Senator Nunn entered the hearing room.]

Mr. IVKOVICH. My own honest opinion is I think they have the technology, Senator.

Senator PERCY. Let me ask this question. Yesterday, or the day before, we had our demonstrations. Even in a system that was new, even with a thief that had been totally out of practice, and you get a little rusty in this business, it only took 3 minutes to get the hang of defeating these systems again. After a couple of minutes of practice, he was down to 4 1/2 seconds to enter the car and another 30 seconds to short the system out and start the car up.

If it took 10 minutes to get into a car, would that make much of a difference?

Mr. IVKOVICH. I think it would make a difference. There would be more of a chance of apprehension.

Senator PERCY. There would be?

Mr. IVKOVICH. Yes.

Senator PERCY. Certainly if it took longer than that, the chance of being apprehended while sitting, fiddling, fooling around in that car, is a great deal better. Now it takes about the same length of time that it would take a person with a key to get into the car, start the car, strap the seatbelt on, and so forth.

So, time is a very important element here.

Senator NUNN, we certainly welcome you to the hearings, and would you mind cutting in?

Chairman NUNN. You go right ahead. I am going to have to be in and out and I would rather you go ahead. I was called to an emergency meeting with Senator Stennis, and so I regret being late.

Senator PERCY. I would like to say that your recent speech on organized crime was one of the best analyses I have heard. We have covered organized crime, which is of particular interest to you, so I will send to each of our committee members the testimony given by the lieutenant. He has testified about attempts made on his life by organized crime, and the sophistication of professionals in this field.

Chairman NUNN. I have read his testimony, and we appreciate your being here. It is excellent. It is a real contribution.

Mr. IVKOVICH. I am glad to be here, Senator.

Senator PERCY. Again the techniques being used by the professionals are highly sophisticated. How do the yards communicate among themselves when they need a part?

Mr. IVKOVICH. Through the long-line system.

Senator PERCY. How many long lines are there nationwide?

Mr. IVKOVICH. I don't know how many they would have nationwide.

Senator PERCY. Could you explain long lines in lay terms?

Mr. IVKOVICH. I am really not an expert on long lines, but it is set up, I believe, by the phone company, and your yards have three or four lines that are connected to possibly, maybe 12 States to maybe 100 to 150 different yards throughout the 12-State area. And in the event

someone needs a part, let's say a front end for a Lincoln, they can get on the long line and say, I've got it.

Senator PERCY. Do you happen to know, Lieutenant, whether these long lines are computerized at all?

Mr. IVKOVICH. No, I don't.

Senator PERCY. You do not know?

Mr. IVKOVICH. I do not know if they are.

Senator PERCY. But I think the average person can think of the speed with which the airlines can tell whether you have a reservation, what seats are available and so forth, we can make an analogy to the sophistication in the airline field.

The speed with which they can put the word out, "we need such-and-such a part, we have got that part;" enables salvage yards to move parts very speedily.

Mr. IVKOVICH. That is correct.

Senator PERCY. And this degree of sophistication must be matched by law enforcement in order to curb illicit transactions.

What other effects has this network of long lines had upon the illegal parts business?

Mr. IVKOVICH. It has created problems for certain jurisdictions because cars are stolen, let's say, for instance, in the Chicago area, and then the parts are sent out to some other State. So it does create a problem on the other end for the law enforcement officer.

I had a call one time from the Texas Rangers and they said what the hell are you guys doing in Chicago. We are getting all your stolen parts down here. The trucks—these roadrunners, can go out on Interstate 80 there, in Iowa—just sit at the scale and you can watch them going down the road all day long.

Senator PERCY. Can you give us any idea how much money the salvage yards are making by trafficking in stolen parts?

Mr. IVKOVICH. It is in the millions, Senator, it is in the millions.

Senator PERCY. Big business?

Mr. IVKOVICH. It is big business.

Senator PERCY. Let's talk a little about the insurance companies and insurance fraud. This is where the automobile owner really gets bit, in the pocket. Insurance companies are literally paying all claims and the increased costs are passed on to the consumer in insurance premium rates.

You are required to keep adequate insurance, and you have got to keep paying the increased costs. There is no alternative for the consumer.

Do you know why the insurance companies insure vehicles over the telephone, for instance?

Mr. IVKOVICH. I would think that it would be convenient to the customer and possibly if there might be a cost factor to send someone out to inspect the vehicle.

Senator PERCY. It is a lot cheaper to insure over the telephone and accept the policyholders description of the vehicle?

Mr. IVKOVICH. Yes.

Senator PERCY. What problems are created by the ease of this process?

Mr. IVKOVICH. If it is let's say, for instance, a vehicle totaled out in a wreck and a thief had purchased this vehicle and all he is talking

about is the serial plate and the title, if there is no inspection, he can insure the vehicle over the telephone, send his money in, wait a month, report the vehicle stolen and they will fill out a claim form, usually in 30 days he presents the title to the insurance company and he is paid for the vehicle.

Senator PERCY. Insurance companies have got to watch their costs. The odds of insuring a car that did not exist may have been one in a thousand, at one time. But now a million cars are stolen a year.

Is the incidence of insuring nonexistent vehicles over the telephone frequent enough now that insurance companies should change this policy?

We have got to try to make it as difficult as possible for people in this business to make an easy living.

Mr. IVKOVICH. I was advised here about 2 weeks ago by Agent John Hopkins of the National Auto Theft Bureau in Chicago that there was one insurance company and he didn't mention the name, that was requiring people calling by phone to bring the vehicle in to a local agent so he can check the car and he says in many cases the people would say, "that is all right, just forget it." So that might be an indication.

Senator PERCY. This illustrates that insuring nonexistent vehicles now occurs so frequently that one company is now requiring that vehicles be brought in for a physical inspection.

Mr. IVKOVICH. That is right.

Senator PERCY. Has the insurance fraud problem in Chicago been increasing or decreasing?

Mr. IVKOVICH. I think it has been increasing in our area and I think the reason for that again would be the luxury cars, the gas problem. Their market value has dropped, in some cases as much as maybe \$3,000. In some cases, some might be \$5,000 or \$6,000 and this might be an incentive to create a problem so that the insurance company would pay for the car.

Senator PERCY. We have seen evidence in the newspapers that people who have large gas guzzling dinosaurs are now using George Romney's words, giving them away to charity, thereby deducting them at the full blue book, because they can't sell them. Are you saying that another way to get rid of them is to have them stolen and have the insurance company pay for them?

Mr. IVKOVICH. That is correct.

Senator PERCY. What procedure do the insurance companies follow to detect fraudulent claims?

Mr. IVKOVICH. They have investigators but it is very difficult to prove if there is no physical inspection made of the vehicle.

Senator PERCY. Can you give us any idea as to what percentage of the theft rate in Chicago is insurance fraud?

Mr. IVKOVICH. It would just be an educated guess, probably 10 percent, possibly.

Senator PERCY. You wouldn't be able to give a ballpark estimate even?

Mr. IVKOVICH. I would say it might be 10 percent.

Senator PERCY. Ten percent?

Mr. IVKOVICH. But it is a guess.

Senator PERCY. But that is a lot of dollars?

Mr. IVKOVICH. That is a lot of dollars.

Senator PERCY. In your statement you said a physical inspection program would have a major impact on the insurance fraud problem. Is there anything further you would like to add to that statement?

Mr. IVKOVICH. Physically inspecting the vehicle, if the vehicle was, let's say, a salvage piece, it wasn't put together, they wouldn't get insurance on it. That would be one way.

Senator PERCY. You mentioned the one particular company that requires owners to bring the vehicle in and has run into owners who sometimes say, never mind. This could be for two reasons. One, the vehicle doesn't exist, and the owner will shop around or, two, that this is an inconvenience, in which case the company is at a competitive disadvantage.

Providing it is not a violation of antitrust law, could insurance companies adopt some sort of an industry code requiring physical inspections?

Mr. IVKOVICH. I think it would be worthwhile. I might add that on these salvage vehicles, in Illinois at a meeting approximately 5-weeks ago State Farm and Allstate Insurance Cos. had gotten together and they are going to work on a pilot program in our area, that is Illinois and possibly, I think, Indiana, where any vehicle that is totaled out that they don't feel should be back on the road or cannot be rebuilt, they are going to get a junking certificate for that vehicle and sell it for parts only. So that means that it is a death certificate of that vehicle and it won't be retitled again.

Senator NUNN. If all insurance companies did this, this would virtually knock out the retag operation, wouldn't it?

Mr. IVKOVICH. I don't think it would knock it all out, but it would help.

Senator NUNN. It would have a major impact?

Mr. IVKOVICH. It would have an impact.

Senator PERCY. We conducted a long study of the independent auditors in the CPA industry. I much prefer that the industry get together and develop their own guidelines. I think they can do a better job, and it is a far less costly procedure. I do want to state on the record that if the insurance companies do not do this themselves then we may end up having to do it.

Do you think we ought to give consideration to making inspections a uniform requirement?

Mr. IVKOVICH. Yes, I do.

Senator PERCY. You think that would help law enforcement officials?

Mr. IVKOVICH. Yes, sir, I do.

Senator PERCY. Before we get into the area of remedies, I would like to mention one thing on long lines. Long lines are a perfectly legitimate business.

Mr. IVKOVICH. Yes, they are.

Senator PERCY. And if we eliminate all of the illegalities in this whole field, long lines would still be used and should be used by salvage yards. They provide a valuable service, absolutely essential to automobile owners.

Mr. IVKOVICH. Yes and there is a large number of legitimate people in the industry using this system.

Senator PERCY. Those legitimate dealers are the ones who are really injured most you might say by the misuse or the corrupt use of the long lines by some salvage yard dealers.

Mr. IVKOVICH. Yes.

Senator PERCY. I want to make that clear. I don't want any onus put on a very legitimate industry, especially when 20 percent of our gross national product directly or indirectly depends on the automobile industry.

It is just a corrupt use of long line facilities that we are talking about.

Finally on remedies, considering the risk to your safety, could you repeat for the benefit of Senator Nunn, your reasons for staying on the job? Are you hopeful of ending this problem?

Mr. IVKOVICH. Yes, I am. I think we are going to win this battle. I see light at the end of the tunnel. In Illinois, we are very fortunate. We have got some good legislation passed and I am very, very proud of our legislators on both sides of the aisle and our secretary, Mr. Dixon.

I think with the Illinois plan, with the rules that we have gotten, with our new titling system, the beefed up program on enforcement, our hearings to revoke the licenses of these illegitimate operators, there is no question in my mind, Senator, that we are going to win this battle.

If I really thought we weren't going to win the battle, I would have packed it in, to be quite honest with you.

Senator PERCY. In some aspects of auto theft, Illinois has not been a leader. However, I think the Illinois plan is one of the most progressive plans to curb auto theft in the country, and I commend the State officials who developed the plan.

Have you studied the legislation that Senator Biden and I have developed together?

Mr. IVKOVICH. Yes, I have.

Senator PERCY. What effect do you think the adoption of the bill, subject to strengthening and improvement as we go along, would have on chop shops? We are hoping to gain this subcommittee's support of the bill.

Mr. IVKOVICH. It will put the chop shops out of business.

Senator PERCY. Why would it put them out of business?

Mr. IVKOVICH. Chop shops have to have an outlet to get rid of their parts. This is a salvage yard. I know that throughout the country they have various inspection systems and I know that in our State that as investigators we have the power to go in and check their records. We regulate them.

We also have the power to go into the yards to physically check the parts, to verify what records they have on the parts. With the sheet metal stamped with the serial number, all we would have to do if we have a suspect part, would be to go back out to the car, run that serial number and check with NCIC and we would get a hit if the part was stolen. We could effect an arrest and take action against the yard.

Senator PERCY. I would like to talk confidentially to you, get into politics a little bit. I had a problem in my election last year. I got the message from my voters that they were less interested in what is going

on in Pakistan, even though I am on the Foreign Relations Committee, than they are in the economy of the United States. I pledged that I would spend much more time on the economy.

Inflation is one factor that is built into the economy. I would like to say on the record that I intend to put professional auto theft, one of the fastest growing illicit industries in America, out of business.

I now seek the cooperation of the automobile manufacturers, law enforcement officials, and all concerned in order to accomplish this goal. I think we can have an impact on inflation by so doing.

Senator Biden is prepared to move S. 1214 forward now. But state-wide action is also important.

Can you describe the Illinois plan and other actions States should be taking.

Mr. IVKOVICH. The Illinois plan is stringent recordkeeping, where they have to have accountability on their records. If something comes in, what we have been running into in the past is we would go into a salvage yard, check his records and we would run into John Smith, the Jim Jones and what not and we try to follow it up and it usually winds up that the address will be an empty lot, a firehouse, or something. But with the Illinois plan, anyone that goes into a salvage yard and say he has got a covered van, he has got a new Buick all cut up, he is going to have to present a title for that car. He is going to have to produce a driver's license or some acceptable form of identification and the salvage yard owner is the one that will be held accountable for the record.

The salvage yard would be held accountable for his records and I would think that with the way the Illinois plan is set up, if we took, let's say, a task force and zeroed in on one particular yard, that with the new system, run down the audit trail and so forth, I feel that we could put the yard out of business.

However, the problem we are having is that some of the people in Chicago, or I should say in Illinois, are moving to other States because of the Illinois plan and we are getting somewhat you might say complaints from some of the other law enforcement agencies.

Senator PERCY. Typically, what percentage of names used by a yard are fictitious?

Mr. IVKOVICH. If it is a yard, let's say for instance like South Chicago Auto Parts which I am very familiar with and he, in which he has got late model parts, I say probably 95 percent, 98 percent and that wouldn't be an exaggeration. That would be pretty accurate.

[At this point Senator Nunn withdrew from the hearing room.]

Senator PERCY. Major yards were actually shut down as a result of the Illinois program. Is that right?

Mr. IVKOVICH. Yes. I believe at the present time there are 17 that are revoked or suspended with more hearings pending.

Senator PERCY. Do you think all States who have a chop shop problem would benefit from studying the Illinois plan and adopting something along that line?

Mr. IVKOVICH. Yes, I do.

Senator PERCY. And the adoption of a State plan would not be a substitute for Federal legislation?

Mr. IVKOVICH. No.

Senator PERCY. But it would supplement Federal legislation and make it even more effective?

Mr. IVKOVICH. Yes. But the Federal plan I think would be a very effective tool that would help us. I think we need it.

Senator PERCY. The Illinois plan would complement Federal law requiring placement of VIN's on major body parts?

Mr. IVKOVICH. That is correct.

Senator PERCY. That is something no State can effectively do alone?

Mr. IVKOVICH. That is correct.

Senator PERCY. Without the passage of Motor Vehicle Theft Prevention Act of 1979, what impact would the Illinois plan have on the theft problem in the long run?

Mr. IVKOVICH. I would think that like I mentioned before, that the thieves wherever they do have stringent regulations they are going to move out of the area and go to other jurisdictions.

Senator PERCY. We prefer State local legislation. But, just as with State air and water pollution laws, the offenders will move to a State where the laws are more lax.

Furthermore, if the chop shops moved into Indiana, won't thieves continue stealing cars from Illinois to supply them with parts?

Mr. IVKOVICH. Yes. That is the metropolitan area. We would still lose the cars but I think we would kind of lose control.

Senator PERCY. Does counsel have any additional questions?

Mr. SELAPINO. No further questions.

Senator PERCY. Lieutenant Ivkovich, we want to again extend our appreciation not only to you but to your wife and daughters. We are very grateful indeed for their understanding of the problem and for their full support of you and your colleagues.

Mr. IVKOVICH. Thank you very much, Senator.

Senator PERCY. Our next witness is Thomas McDonnell, special agent, FBI, Buffalo, N.Y.

Agent McDonnell, if you would be good enough to raise your right hand.

Do you solemnly swear to tell the truth, the whole truth and nothing but the truth, so help you God?

TESTIMONY OF THOMAS McDONNELL, SPECIAL AGENT, FBI,  
BUFFALO, N.Y.

Mr. McDONNELL. Yes, I do.

Senator PERCY. We very much appreciate your presence here this morning. If you would like to make any preliminary comments, we would be happy to have you do so.

Mr. McDONNELL. Thank you very much, Senator. I have some notes here I would like to go over with you, explaining the operation we ran in Buffalo, N.Y., in 1977 and 1978.

Senator PERCY. If anyone in our audience has trouble hearing, just raise your hand and I will ask Mr. McDonnell to speak up.

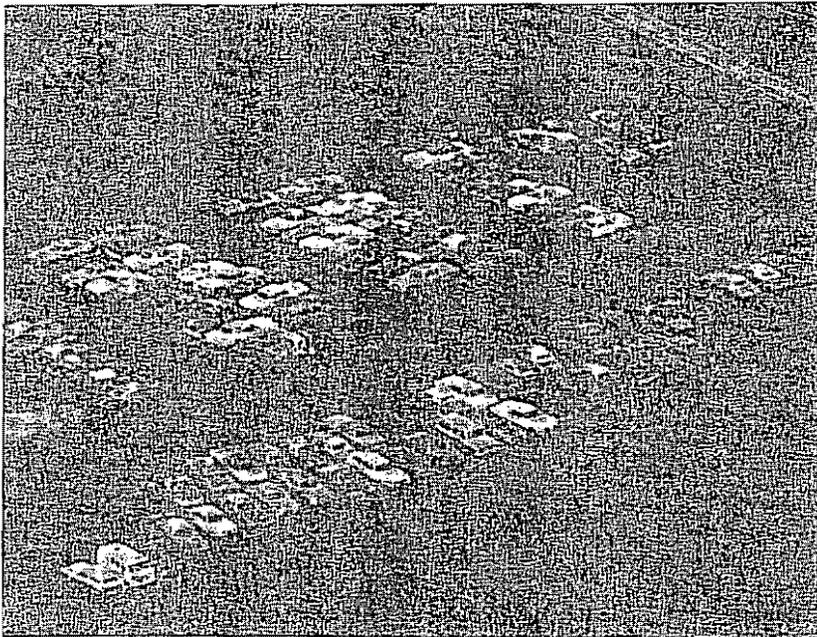
Mr. McDONNELL. Early in the summer of 1977 the Buffalo Division of the Federal Bureau of Investigation was working with a Canadian informant familiar with various auto theft rings and their connection with organized crime. The informant provided the Buffalo Division with a list of individuals, junkyards and collision shops throughout the eastern half of the United States. Included in the list was Stone's

Auto Parts operated by Timmy O'Brien of Blue Island, Ill. The list provided by the informant was analyzed and various checks were made with other FBI divisions and local police departments. It was determined through these checks that the informant's information was accurate and that the list contained the names of numerous businesses and people believed to be associated in one way or another with auto theft.

In order to combat the stolen auto racket and to utilize the informant to the best of his abilities, an undercover operation was begun by the FBI working with the New York State Police. The operation was funded through the Erie County District Attorney's Office using Law Enforcement Assistance Administration funds. It was anticipated that the operation would be targeted toward the purchase of stolen cars and stolen car parts in an effort to identify the numerous auto theft rings and "cut shops" throughout the eastern half of the United States and follow the cash flow from the car owner or thief to the legitimate businessman or OC figure.

On July 12, 1977, an operation code named Carnap was started. An undercover office and warehouse was opened in Buffalo and named Can-Am Import-Export. The Canadian informant was used as a go-between to purchase evidence and arrange to have it delivered to the undercover operation, manned by an FBI agent and a NYSF trooper.

The Canadian informant, along with an undercover agent, traveled to collision shops allegedly involved in auto thefts to talk to the owners and attempt to conduct business with them.



Some of the stolen vehicles purchased by undercover law enforcement personnel during Operation "CARNAP" near Buffalo, N.Y.

A trip was made to Blue Island, Ill. in August 1977, and contacts were made with Timothy O'Brien who owned and operated Keystone Auto Parts in Robbins, Ill., and Stone's Auto Parts in Blue Island, Ill. An order was placed for numerous stolen car parts, including front ends and rear ends. During the course of negotiations with O'Brien, it was suggested by O'Brien that the Canadian informant purchase insurance fraud vehicles and stolen vehicles since it would be easier and cheaper to transport them. O'Brien indicated to the informant that nobody ever gets caught and the dangers are minimal. O'Brien told the Canadian informant he could supply him with just as many stolen cars and insurance fraud vehicles as the informant could handle. O'Brien then pointed out a 1976 Cadillac which he told the Canadian informant he had been driving for a while and which he received from the owner who wanted to report it stolen in order to collect the insurance money. O'Brien told the Canadian informant he would sell him the Cadillac for \$2,000 and noted that it was worth \$8,500.

Through the undercover operation, it was determined that insurance fraud and outright organized interstate automobile thefts were widespread throughout the Eastern United States.

Operation Carnap continued in this vein, and as the operation became better known and more established, business increased. As a result, the operation was moved to a suburb of Buffalo where it continued to grow. In order to limit the number of cars purchased to no more than two cars from any single middleman, business, or individual, the operation became mobile, and business was conducted from various parking lots and hospital parking lots.

Operation Carnap was terminated in September 1978. In all, 110 cars, trucks, and campers, and 1 boat, with a total value of three-quarters of a million dollars, were purchased in 6 States. Nearly 100 people were arrested and prosecuted.

Regarding Timmy O'Brien, information and evidence, including the sale of the aforementioned Cadillac to the Carnap operation, were presented to a Federal grand jury in Chicago, Ill. No action was taken by the grand jury because O'Brien was found dead in the trunk of his car with three bullets in his back.

Senator, that was a brief picture of the operation we ran.

Senator PERCY. Your testimony is important, Agent McDonnell, not only as an illustration of FBI work in this area, but also to complete the geographic mosaic of the hearings. We have heard expert testimony covering 10 States in the western part of the United States. We have heard expert testimony covering the Middle West and now we have testimony involving the East and Canada.

Why did the Canadian informant, buy parts from O'Brien and not from Canadian yards?

Mr. McDONNELL. It was basically a question of supply and demand. The parts were needed in Canada. They have severe winters. They use salt on the roads and the cars deteriorate fast up there. There was a good supply of them south of the border. It was easy enough to get the cars down here and take them up there for use in parts.

Senator PERCY. How would you evaluate the accuracy and completeness of the information provided to the FBI by the Canadian informant?

Mr. McDONNELL. We checked what he told us originally early in the summer 1977. Everything he told us, all the names he gave us turned out to be fairly accurate. He was very good. His credibility was good.

Senator PERCY. What is the language of insurance fraud and auto theft as you learned in Operation Carnap?

Mr. McDONNELL. There are various terms such as an insurance fraud vehicle was known as a steamer.

Senator PERCY. Steamer?

Mr. McDONNELL. Yes; steamer. A stolen car is a smoker. An individual who steals the cars is known as a puller.

Senator PERCY. Puller?

Mr. McDONNELL. Yes. An individual who takes a car from one area to another is a runner.

Senator PERCY. Could you tell us about your original strategy in setting up Operation Carnap?

Mr. McDONNELL. We obtained a list from the Buffalo Police Department of cars that seem to be stolen with quite a bit of frequency from the same area of town and from the same people. Most of these people, a lot of these people were connected in one way or another with organized crime. We thought it seemed strange people would steal from people like this, taking a chance. We decided we would try to look into it.

Also, we tried to determine how these cut shops were working and how we could stop them. We thought in the beginning maybe we could purchase car parts or front and rear end clips, as I mentioned. We started off in this vein and rapidly realized we could not identify these parts. They were not evidentiary in nature because we couldn't use them against the individuals from whom we were buying them. We, therefore, switched to buying whole cars.

Senator PERCY. You had difficulty making a case in court?

Mr. McDONNELL. It would be impossible. There is no way you could positively identify—

Senator PERCY. You had to have identifying numbers?

Mr. McDONNELL. Right.

Senator PERCY. Can you discuss briefly how an insurance-fraud actually works step by step?

Mr. McDONNELL. It works this way: When an owner, for whatever reason, decides he no longer wants his car because of the payments or the car is damaged, he makes arrangement to have the car stolen. He waits a period of days; 3 or 4 days, maybe a week and then reports it stolen to the police department. Meanwhile the car has been taken and either chopped or sent elsewhere. Perhaps retitled, whatever.

Senator PERCY. You mentioned that in August 1977 an informant and undercover agent on their introductory trip to Chicago visited O'Brien at his Robbins, Ill., salvage yard. During the first visit to O'Brien's yard did anything unusual happen concerning the car used by the informant and undercover agent?

Mr. McDONNELL. When they got to Chicago they rented a Thunderbird from Hertz and drove down to see O'Brien. They parked the car right outside his office and they were in talking to him. When they came out, the license plates had been removed from the car and they

apparently had gotten ready to chop up the Hertz Rent-A-Car, thinking it was another car they brought onto his lot.

Senator PERCY. Why do you think O'Brien sold you whole cars when he could have made so much money chopping up Cadillacs and Corvettes?

Mr. McDONNELL. He was chopping them up and had quite an inventory in his yard at the time. This was another way for him to make quick money. The cars were brought in from the street, either insurance fraud or stolen vehicles and he could turn the whole car over and still make a couple thousand dollars.

Senator PERCY. And he had at the time a surplus of chopped parts?

Mr. McDONNELL. He had a tremendous inventory.

Senator PERCY. He did. At this time, I understand we will see an undercover video tape?

Mr. McDONNELL. Yes.

Senator PERCY. Are the screens turned so that everyone in the audience can see?

Mr. MARKS. There are four monitors.

Senator PERCY. I see.

If we could have the lights off, please.

[Presentation of video tape.]

Senator PERCY. Could you identify the people involved in these scenes?

Mr. McDONNELL. The individual facing the camera on the left of the screen was Timmy O'Brien. The individual on the right with his back to the camera was a Canadian informant.

Mr. MARKS. What exactly did we see taking place there? What did that transaction involve?

Mr. McDONNELL. I earlier mentioned a meeting in Chicago when the undercover agent and the informant traveled to Chicago in late summer of 1977. During that meeting, as they were walking from one area to another in O'Brien's yard, O'Brien pointed to a maroon Cadillac parked in the yard and said, "Do you want that one? That's a steamer." And the informant said, "Sure, how about delivering it?" And O'Brien said, "I will have someone deliver it."

About 4 days later O'Brien himself showed up with the car in Buffalo. That scene was taken in the undercover shop in Buffalo.

Senator PERCY. Could you comment on whether you knew where the insurance fraud had come from? Is there any reason you can't disclose it?

Mr. McDONNELL. It was from the Chicago area. The matter is still pending prosecution out there so I think it would be best if I didn't go into it in any detail.

Senator PERCY. Why did O'Brien drive the car to Buffalo, which is some 500 miles from the Chicago area, instead of getting someone else to do it?

Mr. McDONNELL. We expected someone else. I think this was the first deal with him and he knew the informant from prior years, but he didn't know what he was doing now. I think he wanted to come up there himself to see if we really did have any kind of a shop up there, if we really did have the facilities to move cars, chop cars, or do whatever we were going to do with them.

Senator PERCY. He was just personally checking you out?

Mr. McDONNELL. He wasn't really quite sure about us at that point. I think he wanted to make sure for himself before he did any great amount of business. He did have an insurance fraud vehicle with him. The car had not yet been reported stolen. If he didn't like what he saw, he could have turned around and gone back to Chicago and we couldn't do anything about it.

Senator PERCY. How much was O'Brien paid for the car he delivered?

Mr. McDONNELL. He was paid \$1,500 for the vehicle and \$500 for delivering it.

Senator PERCY. Why would O'Brien sell the informant a 1976 Cadillac for only about 25 percent of its book value?

Mr. McDONNELL. Actually, that was a lot of money for that car at the time. It was the first car we were buying from him and we wanted to make sure we got it, so we were willing to pay higher than on a subsequent car. The more you buy from an individual, the lower the price goes. You really don't need more than one or two purchases to make a case against them.

Senator PERCY. What did the car cost O'Brien?

Mr. McDONNELL. I don't know if he paid the owner at all or if he may have even collected a couple hundred dollars from the owner. Total cost for him for driving the the car from Chicago—

Senator PERCY. Gasoline cost.

Mr. McDONNELL. There is no overhead in this business.

Mr. MARKS. Agent McDonnell, what was your original strategy in setting up Operation Carnap?

Mr. McDONNELL. Originally we wanted to purchase car parts—the front end and rear end clips—to identify cut shops and get to the middlemen who were handling cut shops and doing the business.

Mr. MARKS. Did you change that strategy?

Mr. McDONNELL. We had to change it because we found out there are no marks whatsoever on fenders or any parts of the body so we couldn't identify these parts. We couldn't make the case. We had to purchase parts for the cars that were identifiable.

Senator PERCY. Now, could we sum up. You stated that as a result of Operation Carnap it was determined that insurance fraud and organized interstate auto theft is widespread in the East. Could you be any more specific about this?

Mr. McDONNELL. Well, the informant gave us a list of junkyards and collision shops throughout the East which he said were dealing in stolen cars, insurance frauds. The informant along with the undercover agent took some other trips. At one point he stopped in a yard in Pennsylvania. He didn't know the guy or the yard or anything about it and after about 30 minutes of talking with the man, the owner of the junkyard was willing to sell him stolen cars, insurance fraud vehicles, false titles, anything he wanted. It was just out of the cold. They just decided to try it and see what happened.

It seemed to be no matter where you went, as long as somebody trusted you, they were willing to deal with you. It was just a question of getting their confidence.

Senator PERCY. You mentioned in your preliminary remarks that 100 people were involved and arrested as a result of Operation Carnap. Can you tell us how many were involved in organized theft rings?

Mr. McDONNELL. I would say approximately 20, if you identify a theft ring as 2 or 3 individuals who do this more than two times.

Senator PERCY. Where were the rings actually concentrated?

Mr. McDONNELL. In the heart of Buffalo, primarily. They were usually in, not the ghetto area, but in the lower class areas.

Senator PERCY. Of the number who were arrested, a hundred or so, how many convictions actually resulted from Operation Carnap?

Mr. McDONNELL. We got approximately 80 convictions.

Senator PERCY. Of the 80, how many of them served prison sentences?

Mr. McDONNELL. Not too many. Maybe six.

Senator PERCY. A hundred arrested, 80 convictions, 6 actually went to prison. What happened to the others, were they just put on probation?

Mr. McDONNELL. Most of them, the owners through plea bargaining pled guilty to a lesser charge and in most cases were put on probation and ordered to make restitution to the insurance companies.

Senator PERCY. The court systems could stand some toughening up. The professionals in the business truthfully told a young guy that had never committed a crime, but couldn't support a wife and three children on \$10,000 a year, that there was very little risk in this business.

Of those six that did serve, how long were the sentences do you suppose?

Mr. McDONNELL. Averaged about 2 years. I think the longest was 3 years. Most of them were about 2 years.

Senator PERCY. Not much of a deterrent. In running the operation, what did you do with all the cars?

Mr. McDONNELL. That was a problem. We had another operation going on at the same time this one was. Between the two operations we came up with about 250 vehicles that consisted of insurance frauds or stolen cars. We tried to hide the recovered cars as best we could and we ended up storing them in what is now a closed Air Force station up in Niagara County, upstate New York.

Senator PERCY. Is that an actual picture of the cars right over there?

Mr. McDONNELL. Yes, that is an aerial photo of a portion of the cars. That is not all of them. That is some of them.

Senator PERCY. It gives us a pretty good idea of the extent of the operation, though. Based on the experience of Operation Carnap, do you believe that O'Brien's operation was an isolated example of organized vehicle theft or would it be fair to say that O'Brien's operation was a fairly typical professional operation.

Mr. McDONNELL. It was very typical. It was well done and well organized. He had no fear of being caught. It was not unusual either.

Senator PERCY. This is not just a big city problem. When I was in industry, Buffalo was always looked upon as an awfully good test market. If something could work in Buffalo, you could sell it almost anywhere. I have been there many, many times testing products. Is organized vehicle theft still a problem in Buffalo?

Mr. McDONNELL. Yes, it is.

Senator PERCY. And do you think the problem would be helped in Buffalo and in Peoria or Chicago if we passed the Federal legislation that we have under consideration?

Mr. McDONNELL. Yes, I do.

Senator PERCY. How involved is organized crime in the insurance fraud and auto theft in Buffalo?

Mr. McDONNELL. They are involved with it. To exactly what extent, I don't know. But we were making some inroads in that direction.

Senator PERCY. I do want to thank you very much, indeed. I commend your creativity, Agent McDonnell, and will mention this to Director Webster when he comes in on Tuesday.

Thank you very kindly. We deeply appreciate your cooperation and the help of all of your colleagues.

Mr. McDONNELL. Thank you very much, sir.

Senator PERCY. Congressman Green, you can either introduce your witness right there or join him.

**STATEMENT OF REPRESENTATIVE S. WILLIAM GREEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK**

Representative GREEN. Let me apologize. I am not going to be able to stay very long because I am the ranking Republican Member on the House Banking Committee Oversight Subcommittee and we are having hearings looking in on the use of large currency transactions in the drug trade to which I must return.

But at the outset I do want to express my appreciation to you and your committee for allowing me to appear briefly before you today. As the chief House sponsor of the Motor Vehicle Theft Prevention Act, I have a great interest in your proceedings and findings.

In my own city of New York, our auto theft problem is severe. New York City ranks No. 1 in the country in the number of motor vehicle thefts with 40,687 in the first half of this year. In that same period, the No. 2 city, Los Angeles, trailed with half that amount, 19,188. However, the positive side of the issue is that New York's rate of increase in that time compared with the first half of last year was only 3 percent—considerably less than most other cities.

Yesterday, upon Senator Javits' departure from this hearing, Senator Percy noted the traditional rivalry between Chicago and New York, cited recent statistics showing that New York is doing a somewhat better job of coping with auto theft than Chicago, and remarked, "We ought to find out what New York is doing right." Our problem persists and we do not claim to have all of the answers, but a substantial amount of the credit for any progress we have made must go to the New York Police Department's Auto Crime Unit.

The unit, which was begun in 1971, has never had more than 90 people assigned to it and presently has only 49, but has made over 10,000 arrests in its 8 years, 85 percent of which were felony arrests. The unit has retrieved almost 11,000 vehicles, which, upon recovery, had a value of \$24.5 million.

This is an admirable record and I am pleased to have with me today three members of the NYPD Auto Crime Unit. Sgt. Frank Martin has been with the department for 18 years, serving 3 as detective and

8 as sergeant, and has been with the auto crime unit almost since its inception. Detective Grinenko has been with the department for 12 years, 6 as detective, and specializes in trucks, boats and heavy equipment. Patrolman John Murphy has been with the department 11 years and is the unit's intelligence officer.

As I present these officers to you, I want to conclude by complimenting you and the subcommittee for conducting these hearings and drawing attention to one of the most serious, dangerous and expensive crime problems we face. I am proud to be working with you and Senator Biden and 46 House cosponsors on legislation to confront this problem. With that, I am pleased to introduce Officers Martin, Grinenko and Murphy.

Thank you very much again for having me here.

Senator PERCY. Thank you very, very much indeed. I think it is interesting to note that if the annual level of automobile thefts in the city of New York is 80,000, during the length of my drive this morning from 61st and Fifth Avenue to the airport, four cars were stolen in New York City. I concede New York is No. 1 in this field. We will take second place to you.

I wish to express my deep appreciation on behalf of Senator Biden, myself, and others who are interested in this legislation, to you, Congressman Green, for your leadership in the area. I can assure you we will do everything we possibly can to move it along rapidly.

I think we have a good chance of putting automobile thieves out of business. I have enjoyed working with you in this area.

Representative GREEN. Our superintendent of insurance tells me 25 cents out of every dollar the New York auto insurance buyer pays is going to auto theft. Again, thank you, Senator.

Senator PERCY. Thank you. We will excuse you, sir, and thank you for coming over.

Sgt. Frank Martin, assistant director of the New York Police Department's Auto Crime Unit, if we can have you sworn in. Your colleagues will not be testifying, or will they?

Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. MARTIN. I do.

Mr. GRINENKO. I do.

Mr. MURPHY. I do.

Senator PERCY. Do you have a statement that you would like to make, some opening remarks?

Mr. MARTIN. Yes, I do.

Senator PERCY. If you would go right ahead with your statement.

**TESTIMONY OF SGT. FRANK MARTIN, ASSISTANT DIRECTOR, NEW YORK POLICE AUTO CRIME UNIT; DETECTIVE PETER GRINENKO, NYPD; AND OFFICER JOHN MURPHY, NYPD**

Mr. MARTIN. My name is Sgt. Frank Martin of the New York City Police Department's Auto Crime Unit. I have been with the department for almost 18 years, and assigned to the auto crime unit since 1972. I would like to introduce Detective Peter Grinenko and Police

Officer John Murphy. Both of these men have spent the major part of their police careers investigating auto theft. Detective Grinenko is also responsible for the slides and photographs of the various cases we will be discussing today.

Before we get into the presentation, I would like to express our gratitude to the members of this subcommittee for the opportunity to testify regarding this serious problem.

I think that I can safely state that New York City has been and still is one of the highest theft-prone locations in the Nation. I do not mean to imply that auto theft is a local problem, or even one that is unique to the larger cities. The problem is nationwide. Statistics show a national increase of 13 percent in auto theft for the first half of 1979 over 1978. My comments today will be concerning the theft program in New York City and how we have attempted to cope with it.

At the outset, I must state that while auto theft is a serious problem and should never be taken lightly, it is largely a property crime and nonviolent in nature, at the initial theft stage, and as such is rightly relegated to a rather low position on the priority scale. To give us an idea of the extent of the problem I have prepared a few charts.

The first chart over here deals with the statistics for 1977 and 1978. These are New York City statistics. As you can see, the registered vehicles in 1977-78, in 1977 it was 1.7 million vehicles registered in the city of New York. It dropped slightly in 1978 to 1.65 million. The vehicles reported stolen, again, it shows a decrease of 5 percent. In 1977, it was 94,420 automobiles stolen as opposed to 88,112 in 1978.

1977-1978 AUTO THEFT STATISTICS		
	1977	1978
REGISTERED VEHICLES	1.7 MILLION	1.65 MILLION
VEHICLES REPORTED STOLEN	94,420	88,112
VEHICLES STOLEN AS PERCENTAGE OF REGISTERED VEHICLES	5.8%	5.3%
APPROXIMATE VALUE OF VEHICLES STOLEN	\$200 MILLION	\$230 MILLION
N.Y. RECOVERY RATE	40%	40%
NATIONAL RECOVERY RATE (AVG.)	60%	60%

The values show an increase, despite the fact there are less cars stolen. I would imagine this reflects inflation in the cost of vehicles. The recovery rate in New York, which I don't really like to discuss, because it is kind of an ambiguous figure that really doesn't mean much, is 40 percent.

Senator PERCY. Could you define recovery? Does it mean you get the whole car back in drivable condition, or what?

Mr. MARTIN. That is why I don't really think it is accurate to discuss recovery statistics. As you are well aware of, I am sure, theft is a national problem. As an example, if a car is recovered in, let's say, Macon, Ga., for want of a better location, we would just get a teletype message from a police officer in Macon saying a vehicle with a VIN number of such-and-such has been recovered. We have never seen the vehicle; we have no idea what condition the vehicle is in. It is counted as a recovery.

It might be what we consider bones or a basket case, or totally stripped out hulk. It is still counted as a recovery. So, from the standpoint of view of statistics, I don't really think it is accurate to talk about recovered vehicles.

Senator PERCY. It could be that they recovered just an engine. You might not even have the chassis around it?

Mr. MARTIN. That's correct.

Senator PERCY. But it's listed as if the entire vehicle had been recovered and delivered back to its former owner?

Mr. MARTIN. Exactly, Senator. To go one step further, it is quite possible that that vehicle is not even the vehicle in question. If it has an altered serial number, it is quite possible it got by the police officer or insurance investigator that examined the vehicle. So we could be canceling alarm, theoretically, on a vehicle that has never been recovered.

Senator PERCY. I was just astounded when I learned this. I looked at the figures and assumed recovery meant you had gotten your car back. But that is not at all true. Do you feel that we ought to have better data than we have got?

Mr. MARTIN. I would like to say, yes, Senator, but I really don't think it's a feasible approach to take, for the simple reason that vehicles are recovered all over the United States. It's really a difficult problem to place a value on a vehicle.

As an example, Senator, if a car is stolen in 1970, and it's a 1970 vehicle, and it's recovered in 1978, do we count it as a recovery of a new car, or do we count it as a recovery of an 8-year-old car that is worth maybe one-tenth of the value when it was stolen?

We are talking about a theft value at \$8,000 and recovering the vehicle when it is valued at \$800. So actually, we are recovering an \$8,000 vehicle, theoretically, but in point of fact, it is not really worth anything near that.

Senator PERCY. Could you, from your own knowledge, give us some approximation as to the percentage of the stolen cars in New York that are recovered intact?

Mr. MARTIN. I really—

Senator PERCY. Any ball park figures, any idea?

Mr. MARTIN. It would be strictly ball park. It would be a guess at best, maybe 20 or 30 percent would be drivable.

Senator PERCY. So what we are really talking about in New York City, then, is a grave chop shop problem, reflected by the fact that 75 percent of the cars stolen will never be recovered.

Mr. MARTIN. That's correct, Senator. Later on in my statement you will see some of the thefts don't even exist.

The second chart here I have prepared just to give you an idea of the extent of the problem, it breaks down the various crimes by the value of the property stolen in those various crimes. As you can see, burglary is the highest. These, incidentally, are 1978 figures for New York City.

*New York City, 1978: Value of property stolen by crime*

Burglary .....	\$251, 111, 186
Motor vehicle theft.....	229, 728, 044
Larceny theft.....	7, 758, 852
Robbery .....	6, 751, 894
Other crimes.....	15, 242, 211
Total .....	510, 502, 187

Motor vehicle theft represents 45 percent of total.

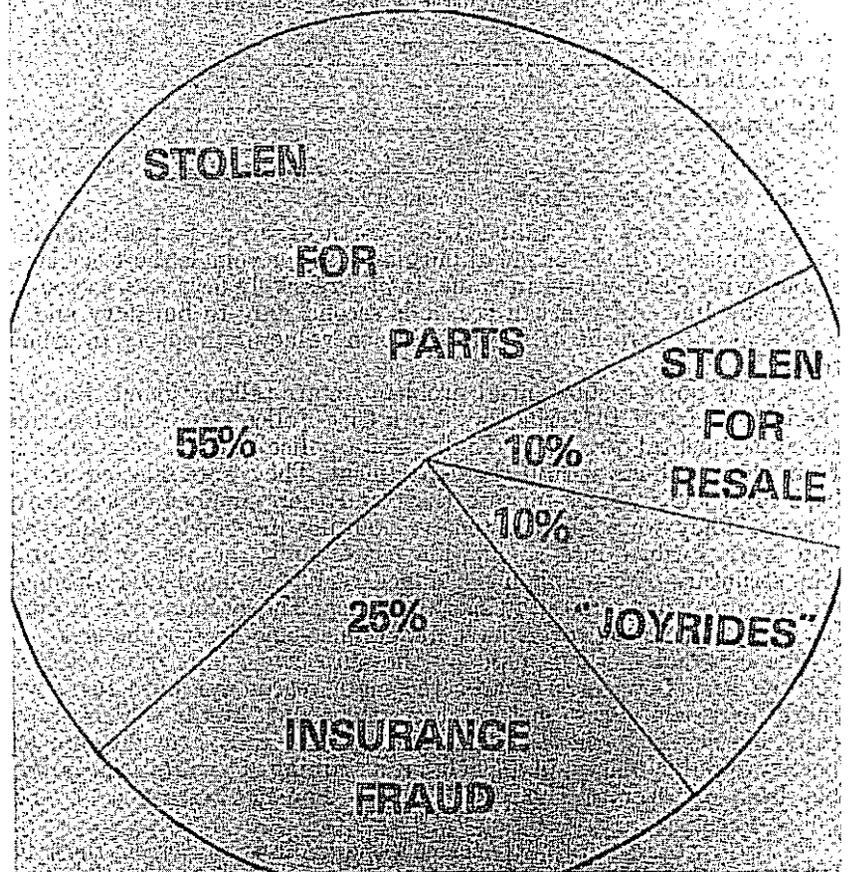
Burglary, there was \$251,111,186 worth of property taken during the commission of the crime of burglary. Motor vehicle theft is a close second with \$229,728,044 in value. It progressively decreases as you go down the line. As you can see, it is second only to burglary and it represents 45 percent of the total stolen value of property in crime, taken in crime.

So, it is quite a substantial problem we are talking about. Back in the latter part of 1971, the New York City Police Department started an experimental program. Eighty-four police officers were selected from the precincts within the department. They were selected on the basis of their interest in auto theft and their number of successful arrests. They were given extensive training in vehicle identification and were formed into a citywide patrol unit, the auto crime unit. The structure of the unit has changed very little since 1971 although we are somewhat reduced in size, to 49 men. The methods used to combat the problem, however, have undergone some drastic changes.

The original methods used by the auto crime unit were effective for the first few years because the main reason for auto theft was theft for resale. These methods were threefold: Motor vehicle stops; calls for service, where the members of the unit provide auto expertise to police officers in the field; and training. The auto crime school has been operational since 1972 and to date has trained over 8,500 police officers.

In 1975, we started to experience a change in trends, from theft for resale, to theft for parts. We also noticed a marked increase in insurance fraud. These changing trends called for expanded efforts on the part of law enforcement. As you can see, the third chart we have prepared breaks down the reasons for auto theft. There is no way of verifying this with 100 percent accuracy. But this is the accepted breakdown by people in the industry as to the reasons that vehicles are stolen.

# REASONS FOR AUTO THEFT



Shall I continue?

[At this point, Senator Javits entered the hearing room.]

Senator PERCY. Yes, please. Senator Javits, as you know, Sergeant Martin, Detective Grinenko, and Officer Murphy are testifying now on the auto theft problem of Manhattan. I have publicly conceded that, in this area, New York even exceeds Chicago.

Senator JAVITS. Well, Mr. Chairman, that should be written in letters of fire.

Senator PERCY. Delighted to have you join us.

Mr. MARTIN. The third chart I prepared breaks down vehicle theft into the reasons behind the theft. As you can see, the largest portion, 55 percent, we feel are stolen for parts, stolen for purposes of dismantling.

The second largest is insurance fraud, which we feel is 25 percent. This, Senator, is a conservative estimate. Some people go as high as 35 percent for insurance fraud purposes.

Stolen for resale, a relatively small 10 percent, and 10 percent for joyriders or transportation vehicles. I have to state at this point, this is very flexible. In the city of New York, we have problems that are unique to the city of New York, in that some of the various categories blend with one another.

The reason I have to state that, as an example, a car stolen by a joyrider that is left on the street or on the side of a highway for any length of time will soon become a vehicle stolen for the purpose of dismantling. So that is another reason why stolen for parts is the largest portion of the pie.

The auto crime unit found it necessary to shift its emphasis from the street theft to the auto-related businesses and organized theft. We started to monitor the activities of these businesses. An intelligence section was formed and files are maintained on the legal and illegal businesses and their interrelationships with one another. Known violators are also filed in the same manner.

The information that has been accumulated in these files disclosed a definite pattern of organized crime involvement in the auto theft and auto-related business. More on this will be discussed later in the presentation. It also became apparent that the problem of insurance fraud was increasing and a thrust in this area was needed. This area of enforcement presented special problems to overcome. Insurance fraud is a crime which is extremely difficult to prove; each case must be investigated individually; cooperation from and with insurance companies is essential to successful prosecution. Group indictments were arranged with borough district attorney's offices and publicity was encouraged to discourage the myth that insurance fraud is an easy way to get even with your insurance company. Cooperation between State and local departments became increasingly important.

Before we get into possible remedies, I feel I must stress the importance of understanding the overall effect of the proposed new legislation and whether or not it is enforceable. While the legislators have every good intention in mind when they draft new laws, they should be aware that some laws can at times be counterproductive, unenforceable, and in some cases, actually aid the criminal. An example of this is regulation 64 in New York State. It requires that the insur-

ance company pay book value plus tax on all total loss claims. The law was designed to protect the consumer, which to a great extent it does, but it also makes the insurance company the highest bidder on every insured vehicle. In effect, it encourages people with "lemons" to dump the vehicle on the street, remove the license plates, and report the vehicle stolen.

Senator PERCY. Sergeant, we now know that the big gas guzzlers are lemons in the marketplace and are very difficult to get rid of. In fact, people are giving them away as a tax deduction. The blue book value has not dropped fast enough to reflect this, has it?

How long does it take the blue book value to meet the market value?

Mr. MARTIN. I don't really know what the time lag is. In many, many cases, the blue book does not reflect the true market value. In other words, I don't think they take into account the price of fuel, the actual market that's out there for a particular type of vehicle. I really don't know much about how the average price is figured in the blue book, but I am sure that there is quite a time lag difference and people are collecting, in some cases, more money than they actually paid for the vehicle new, because of inflation and the value of used cars, especially the smaller ones.

Senator PERCY. I am going to ask staff and general counsel to contact the people who establish the blue book to determine how rapidly they are adjusting values to market conditions. A person has a legitimate right, I suppose, to take the blue book value as a tax deduction if they are giving to Good Will Industries.

Adjusting values more quickly may have an impact on insurance fraud, because if those book values come down rapidly enough, those who have their cars stolen will not collect an inflated sum.

I wonder if there exists a nonlegislative remedy to this problem.

Go right ahead, thank you.

Mr. MARTIN. In this way they receive the highest possible price for a vehicle they could never sell. We have dubbed this law the "highest bidder law," because it makes the insurance company the highest bidder. My fourth and final chart deals with methods we feel, if implemented, would impact on the problem of motor vehicle theft.

The first one listed is the establishment of a universal title for all States. I have been involved in investigating motor vehicle thefts since 1971. I believe the first sample of a universal title I have seen was 1972. And every time I see it, I am told it is just around the corner, it's just around the corner.

What is happening, Senator, we have 50 States, and we have 50 different methods of titling, 50 different titles, 50 different sets of documents, and 50 different sets of laws that relate to those particular documents. What the professional thief is doing is utilizing the weaknesses of one State against the strengths of another State, thereby overcoming the strengths of a particular State. A universal title would make for much better recognition on the part of motor vehicle inspectors and police officers in every State for instant recognition of a good title, as opposed to a title from out-of-State that has been forged. And a police officer in a particular State has no knowledge and experience in dealing with that particular title.

METHODS OF REDUCING AUTO LARCENY

UNIVERSAL TITLE FOR ALL STATES

ADDITIONAL ID NUMBERS ON MAJOR PARTS

IMPROVED LAWS &amp; ENFORCEMENT

DOCUMENTATION OF EXPORT VEHICLES

ATTITUDE OF CRIMINAL JUSTICE SYSTEM

WORKABLE SYSTEM OF MANDATORY RESTITUTION

JOINT TASK FORCE (FEDERAL, STATE &amp; LOCAL)

So universal title is absolutely essential in this area. Additional numbers on major parts, I am sure this has been rehashed many, many times. The more numbers on the vehicle, the harder it becomes for the dismantler or the chop shop to dispose of these parts, but, again here, I have to emphasize if we make it a law to mark these parts, we also have to make it a law to alter these numbers or to remove these numbers.

Currently we have parts on certain major components in the vehicles. It does not stop completely the traffic in these vehicles, because the laws making it unlawful to remove these numbers are not enforced to the extent that they should be.

The third suggestion is improved laws and enforcement. This sort of blends with all the rest. We need some stronger legislation as far as disposing of salvage. We have a situation where insurance companies are now permitted to sell salvage and the individual that buys that particular salvage, regardless of the condition he bought the salvage at the time he purchased it, can, in fact, register that vehicle and make it whole again, so to speak. I think there should be some kind of legislation, be it statewide or national, that prohibits the sale of what we refer to as basket cases for rebuilding purposes.

They should be sold strictly for the purpose of any scrap value they might have as far as metal content and also parts that can be used to rebuild other vehicles, but never for retitling and for reregistering.

Documentation of export vehicles this is a problem that is unique to New York as it would be to any port city. The problem we have is that vehicles leave the country and the hard vehicle itself leaves the country and the paperwork, documentation for that vehicle stays behind and is used either to retag stolen vehicles or for the purposes of reporting a nonexistent vehicle stolen for insurance fraud purposes.

We also need a way of preventing what we call the drive-ons. Ten minutes before a ship is scheduled to leave, a person could drive a vehicle right onto a ship, it is placed into the hold. He pays the fee of shipping it, and the boat leaves. There is no documentation that that car is the car in question. There should be some kind of a 1-week holding period, where a person desiring to ship a vehicle overseas or out of the country would be required to deliver the car to the pier 1 week ahead of time to allow inspection by customs officers or police officers.

The next one is the attitude of the criminal justice system. As I stated earlier in my statement, vehicle theft is a property crime. Very few people are hurt at the initial stage. When a vehicle is stolen, at best, the owner is inconvenienced a couple of weeks until a settlement is made with the insurance company. He may lose a few hundred in value.

Senator PERCY. As a matter of fact, isn't it true that car owners can rent a vehicle and the insurance company will pay the costs? They are really not inconvenienced very much.

Mr. MARTIN. Usually there is a short waiting period before the individual can rent a vehicle. I believe it is 48 hours in New York State. It might be different in other parts of the country. So, there is very little inconvenience, and very little lost on the part of the average citizen in connection with auto theft. So it is not really treated seriously.

We have cases where we go to court with 40, 50, 60 counts of possession of stolen property, grand larceny auto, and it is reduced to one or two charges, and dismissed. So the attitude of the criminal justice system has got to treat auto crime in a more serious way, proportioned to the value of property stolen as opposed to the violence of a particular crime.

A workable system of mandatory restitution. This is one of my pet suggestions. Later on, we will show some slides of chop shops with 40, 50, 60 cars which are completely dismantled and total wrecks. They will most probably never be drivable again. Even if we do succeed in prosecuting the individual responsible, the amount of money he has made in cutting up these vehicles as opposed to the possible sentence that he could get for this particular crime is just not in proportion with one another. If there could be some way of this individual being made to repay each insurance company that had to pay out the total lost for each one of these individual vehicles, I think it would take some of the astronomical profits that are now being made by chop shops out of their hands and make them responsible for their actions.

The last one is a joint task force approach. The only reason I bring this up is because of fiscal crisis in local departments. We don't have the resources and the money needed to really attack the problem the

way it should be attacked. Couple that with the facts it's a multijurisdictional problem, it crosses State lines. In many cases it crosses international lines. So the task force approach would be an excellent way to go.

Also we know from personal experience with these thieves that they fear Federal prosecution much, much more than they fear local prosecution. So, to threaten an individual with taking him to Federal court is certainly more of a deterrent than the local criminal courts.

Before I go on, I would like to thank Frances Cresswell from your staff for the excellent job she did preparing these charts. I had to call the information down over the phone and she put them together for us.

We have put together some slides to show you. These slides were selected because they tend to show the organized nature of the auto theft business. They cover a wide range of topics from counterfeit documents, printed on sophisticated equipment and used up and down the east coast to register stolen and nonexistent vehicles, to cutting shops, to vehicles stolen for export. Unfortunately, these are, for the most part, active cases requiring us to keep the identity of the subjects confidential. I can state that our intelligence connects many of these subjects to major organized crime families. Would you prefer I finish the statement and then go to the slides?

Senator PERCY. I am going to ask Senator Javits how much time he has.

Would you like to see the slides before the questioning?

Senator JAVITS. I notice on your list, the attitude of the criminal justice system—

Mr. MARTIN. I had stated earlier in my statement, Senator, that auto theft is considered a property crime. As such, it is relegated to a low priority.

Senator JAVITS. Which means, what? That they delay the trial or—

Mr. MARTIN. It means the punishment is not comparable with other crimes.

Senator JAVITS. For example, what does a chop shop operator get on a first offense?

Mr. MARTIN. On a first offense, nothing.

Senator JAVITS. Second offense?

Mr. MARTIN. Usually a fine, a fine of maybe \$500 or \$1,000 for destroying possibly half a million dollars worth of property.

Senator JAVITS. And this is in the State courts?

Mr. MARTIN. No, this is in local—

Senator JAVITS. By State courts, I mean local; not the Federal courts.

Mr. MARTIN. Local.

Senator PERCY. Senator Javits, we uncovered one interesting figure this morning. As a result of an FBI undercover operation in Buffalo, 100 arrests were made, with 80 convictions. I asked how many convicted actually were sentenced and served time—only six served time. All the rest were given probationary sentences.

In Cook County, the prevalence of payoffs to law enforcement officials and the judicial system produces the same low conviction and sentence rates. But here we are speaking of an attitude of lenience, where auto theft is perceived as a victimless crime.

The chances of prosecution are so slight and the profit margins so high, that it is a better crime to get into than narcotics, even.

Mr. MARTIN. Just so I am not misunderstood, I am not in any way knocking the court system.

We have a problem in New York with the volume on the calendars, the amount of space we have for incarceration. It's a problem that is probably not unique to auto theft. I am sure if you sat a narcotics officer up here, he would complain about the same thing, the lack of real substantial punishment on the part of any crime, really.

Senator PERCY. There is also the real difficulty of proof. First hand witnesses may act as informants against others involved, and still there would be no convictions because law enforcement officials could locate no identification numbers. If parts bore identification numbers, they would have adequate evidence and could get convictions.

Senator JAVIRS. Of course, what I would hope, Mr. Chairman, is the committee would provide the Governors and the leaders of the State legislatures with the facts and figures and start a campaign of its own to get better attention to the criminal law and the State bar association. I think one of our troubles is we don't advertise the stuff we get. We depend on the press. It's selective, it's episodic and doesn't do the job. So I commend you and the chairman.

Senator PERCY. Very, very good. Also, I think we ought to know what it costs the average person in Chicago and New York to insure their cars.

Let's take a couple of car models and determine what the insurance rates were 5 years ago, what they are today, how much of this is simply inflationary, and how much is due to theft rates.

I mentioned earlier that theft in Manhattan has reached 80,000 cars stolen a year. This morning from the time I drove from upper Manhattan to LaGuardia Airport, four cars were stolen in Manhattan in 30 minutes.

Senator JAVIRS. Mr. Chairman, I would just like to ask one question, and then I will have to leave.

If I can stay through the slides, I will.

I notice you have a considerable drop—the figure is still horrendous for 1978 or 1977, but I notice an 11½-percent drop—in auto theft in that year in the New York City area and surrounding counties.

Is there anything special to account for that?

Mr. MARTIN. I would like to say it's our effort, Senator. I don't really know what the answer is. All I know is the Department, within the fiscal limitations that we have to work under, have been putting as much heat as possible on these organized, large-scale chopping operations. We would like to do more, but unfortunately we are limited by the amount of personnel we have and the available resources to us.

Senator JAVIRS. Mr. Chairman, may I also call attention to the fact that there is a fantastic rise in one city in New York State and a fantastic rise in another. Don't you think the committee ought to inquire into that? Elmira shows a 93-percent drop. Syracuse shows a 37-percent increase.

Senator PERCY. Some suburbs of Chicago show an increase of over 150 percent. In other areas we have an actual drop. I would like to find out the reasons for this.

Mr. BERR. Senator Percy, in response to your request for information about blue book values, we just did a telephone survey. We determined that a major auto insurer, lists the blue book value for a 1978 Cadillac Coupe DeVille, as anywhere from \$7,000 to \$8,000, depending upon accessories. We also called a local Cadillac dealer and asked what price they would pay for a similar car, and their price range is \$6,500 to \$7,000. So there could be a disparity of as much as \$1,500 between the actual market value of the car, and the present Blue Book value, which would appear to be an incentive for insurance fraud.

Senator PERCY. In New York City, the average motorist is paying nine times the national average for automobile theft insurance coverage; in Chicago, four times the average.

Senator JAVITS. Mr. Chairman, one other thing that occurs to me, you know in the fire business, they have special patrols which are paid for by insurance companies. Has anything like that been tried in New York to beef up your department through contributions from the insurance companies?

Mr. MARTIN. Not in an organized way, Senator, but what we have done, we have been working in close cooperation with insurance companies and insurance companies have provided us with seed money or money for undercover operations, and that type of thing. There is no organized system like the fire department does.

Senator JAVITS. We might suggest that to Police Commissioner McGuire.

Last, I think this record should show I have joined with Senators Biden and Percy, I guess Biden is the principal sponsor, in submitting a sentencing reform bill that carries restitution as an item of punishment and changes Federal law in that way. So you encourage us to pursue it.

Mr. MARTIN. Absolutely, I applaud your efforts along those lines. I think the only way we are going to impact on this problem in a substantial way is to somehow take the profit potential out of the auto theft industry, if you want to call it that.

Senator PERCY. And also, we must impose penalty on any one who alters VIN's. S. 1214 mandates a \$5,000 fine or 5-year prison sentence for removing or altering such numbers.

Mr. MARTIN. That's fine, Senator, but it has to be for each one they alter, otherwise it is meaningless. If I go into a yard with a million dollars worth of inventory and charge him for changing numbers and he gets fined \$5,000, it is absolutely meaningless. It has to be \$5,000 for each and every alteration.

Then maybe the impact would be there.

Senator PERCY. Thank you for the suggestion.

Let's start right in with the slides.

I would like Senator Javits to see as many of them as he can.

May we have the lights out please?

[Slide presentation.]

Mr. MARTIN. This slide, we just put this slide in to show you the typical cutting operation. The doorway on your right, the single garage door, it is closed now, was at one time a pickle factory.

When we opened the door to the pickle factory, this is what we found. This was an approach taken, I would say, starting approximately a year ago. One of the major problems that a chop shop has is disposing of the bones, as we call them, the chassis with the numbers on it, the engines, the transmission, anything that they don't have an outlet for, or fence for. So what they started to do was to rent commercial buildings under a fictitious name, of course, and they would start in the rear of the building and just take what they want off the stolen vehicles and start to stack them up with a fork lift and work their way toward the front door, theoretically with the theory when they couldn't fit any more cars in the premises, when they could no longer fit any stolen cars in that premises, they would just close the doors, walk away, they could never be traced, and the owner of the premises has the problem of disposing of all of these stolen vehicles.

In this particular place, it was approximately half filled and there were 44 stolen cars, the oldest of which was 2 years old, and all of this took place in a 1-month period. In other words, no car had been in this place longer than 1 month, so you can see the volume here. There are 44 cars completely stripped in the period of 1 month's time.

Mr. BERR. What is the estimated value of those cars?

Mr. MARTIN. A conservative estimate would be \$620,000 but they are not worth \$620,000 in that condition, but at the condition they were in when they were stolen.

We have all types of problems with this, this is the type of problem I am talking about, where restitution would be really the only way to impact on this type of operation. Even though we go to court with 44 counts of possession of stolen property, we don't get the punishment commensurate with the seriousness of the problem.

[Next slide.]

I am going to turn the mike over to Detective Grinenko, since he was directly involved in this case.

Mr. GRINENKO. Senator, whatever goes on with cars goes on with trucks, also. It has a little bit more of an impact. Since cars are primarily a convenience for getting around, trucks are a form of livelihood for many people.

The insurance premiums on trucks is phenomenal. Most truckers or independents can't afford to pay those insurance rates so they don't carry theft insurance on their equipment. So what happens is when a truck gets stolen and cut up, you are not only taking away a means of transportation, you are taking away a livelihood from a particular person.

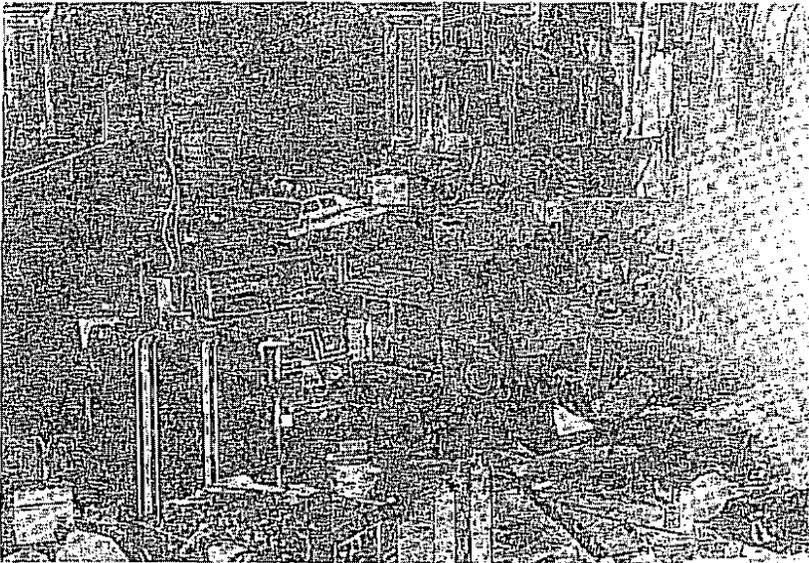
Senator PEROT. Detective Grinenko, you probably haven't had much experience in agricultural equipment. That is also becoming a problem in rural communities because of the extraordinary cost of agricultural equipment, and the high demand for this equipment.

Again, theft losses diminish production, and increase operating costs.

Mr. GRINENKO. The only problem with that, Senator, unlike cars where a derivative of the actual VIN number appears on the component parts, the engine or transmissions, with trucks we don't have that. We have serial numbers on the component parts but they have no connection to the actual VIN number, so when that piece of equipment

is stolen and cut up primarily for its component parts, if you come across the component parts, the process to identify it is phenomenal. You could spend days trying to identify a piece of stolen equipment from a truck.

Mr. MARTIN. Just to clarify that, we would have to go back to the manufacturer of the truck, and the files would have to be hand-searched to cross-reference what particular engine number went into that particular rig. So it is unlike cars. With both agricultural equipment, trucks, and heavy earthmoving equipment, when one is ordered by a company, or an individual, the individual pays the cost of that particular truck and then the truck is built. In some cases it's upwards of a year before the truck is actually delivered. These trucks and equipment are built for specific tasks.



Interior of a typical chop shop operation showing stolen automobiles, trucks, and parts.

Mr. GRINENKO. This particular instance here, Senator, it's an abandoned movie theater in Brooklyn. It started with one of our teams stopping a truck with an engine on it and a cross-reference process started at that point because the person driving the flat bed truck couldn't come up with the information as to where he got that engine. So what happened is in the process we determined that engine was stolen, as a matter of fact, it was stolen 8 days previously, on a Saturday, from a dealer in Jersey. It was one of three brandnew trucks stolen in Jersey, value approximately \$60,000 to \$70,000 each.

And vehicles, actually a combined effort of a few agencies, we came up with this location in Brooklyn, and you have 17 cut up new trucks. The truck that was stopped by one of our teams is that old red one lying to the right side there. Out of 17 trucks, we recovered 1 engine.

Every drive train part was gone. What you see are primarily remnants. They are not really interested in these sections of the truck. If they had more time, they would gradually sell those parts, but here they are primarily interested in the drive train, cut up the truck and get rid of the engine, transmission and rigs. How vast a network do they have? One of those engines from one of these trucks recovered here was recovered in California 3 weeks later.

Mr. BERK. Could you indicate for the record the market value for one of those trucks?

Mr. GRIVENKO. Market value?

Mr. BERK. The market value to the thieves.

Mr. GRIVENKO. The thief would make approximately \$10,000 to \$20,000 on the drive train. This is the only engine recovered at this location and it was about to get loaded on.

What happens to the parts? Here you have actually 11 trucks in total. Out of the entire 11 trucks, 1 truck was entirely stolen. All the other trucks were assembled from 26 stolen trucks. We cleaned out his whole fleet.

Mr. MARTIN. Incidentally, just to go back to the court system again, that particular case we took every truck from a particular construction outfit and he was able to buy off all of these claims against his property and get all of these trucks back from the police department and he is currently using them in business now. So it didn't hurt him in the least.

A little bit of an inconvenience, but we had the trucks maybe 3 or 4 weeks, but aside from that, he really didn't suffer any substantial punishment.

These are vehicles that were stolen and were about to be shipped out of the United States. You can see the boat in the background. Their destination was Beirut. The value in Beirut would be anywhere from double to triple their value here.

A sidelight to this which makes it particularly bad is that these happen to be stolen cars that are leaving the country. But we also have a problem with legitimate cars leaving the country and the paperwork staying behind, as I mentioned earlier, and these vehicles or non-vehicles, nonexistent vehicles as registered with the paperwork and subsequently reported stolen and used for insurance fraud purposes.

So the car might be alive and well in Iran or anywhere else, maybe I shouldn't use Iran these days, but the car could be alive and well in a foreign country and be registered and titled simultaneously in New York for the purposes of reporting the vehicles stolen for insurance fraud.

Just to show that it is not only vehicles, this is heavy earth-moving equipment. It was going to Maracaibo. One of the additional problems that we have with earth-moving equipment and also I would imagine agricultural equipment is the fact that most of the time it is not registered with any jurisdiction. They are primarily off-the-road vehicles and they are used at construction sites and they don't require license plates and they don't require registration and for the most part they are kept for their entire life on private property, which is unavailable to a police officer or motor vehicle inspector in the normal course of events.

So the chances of inspecting off-the-road heavy equipment or agricultural is very slim.

This is the result of a recent case that we terminated after 7 months investigation and I have to say that this is probably the best case we have ever broken. There are no cars involved in a physical sense, but what we have here is every piece of equipment and every document needed to register thousands and thousands of cars and in fact this particular ring was operating up and down the east coast and was responsible for registering untold thousands of vehicles, stolen vehicles and also vehicles that never existed. Each pile there represents titles, registrations, manufacturers certificate of origin, and each one of those pieces of paper as an example, the middle pile there, is 450 blank Connecticut titles. Each one of these blanks could be filled in, registered as a vehicle, even though no vehicle exists and reported stolen to the insurance company and collected upon with no problem whatsoever.

As far as insurance fraud goes, I believe it is the closest that we could ever get to a perfect crime. An individual need not even dirty his hands by handling a vehicle. We also recovered all of the necessary stamping and validating machines from the motor vehicle. They happened to be taken in a burglary in 1971 and they were used from 1971 until we broke the case and I am sure there are thousands of forged licenses and registrations and other documents still out there being used.

This is just another shot of the same type of thing. That pile on the right is New York titles. The sophistication used to reproduce these documents is absolutely astronomical. No motor vehicle inspector could pick it out. What happens is they take a counterfeit Connecticut title, they will create a car using that title, with a fictitious number that doesn't exist, they will use that title to get a legitimate New Jersey title, and then they would use the legitimate New Jersey title to conduct a transaction in New York. Very, very sophisticated scheme.

We also recovered over 100 VIN plates which were counterfeit for Mercedes Benz vehicles each one of which sells for upward of \$30,000. These plates were excellent.

In addition we have the plates used to print these VIN plates; also heavy equipment plates from bulldozers, that type of thing.

We had complete packages, voter registration cards, social security cards, birth certificates, all of which were counterfeit, all of which could be used in any number of ways to cash checks.

In this particular raid we also recovered a complete set of airline validating equipment with blanks so that they could sell airline tickets to anywhere in the world from upward of 40 different airlines. They had all the plates necessary. They were taken from a burglary in a travel agency.

Senator Peacor, Sergeant, because Senator Javits and I have a luncheon with Lane Kirkland, president of the AFL-CIO, that began 15 minutes ago. I think we will go right into questioning.

Senator Javits, I would like you to know that we have gotten new figures on costs. What does this mean to the average automobile owner in New York City in contrast with Chicago in 1970, cost to the insurer for comprehensive insurance, \$50 deductible? Essentially with that coverage for a \$5,000 car, it was \$39 in 1970. That has gone up three times to \$130 today. In New York City, the cost has gone up from \$75

to \$358, four times increase. So the increased cost in just about one decade for the average family for a 10-year period is about \$3,000. This is really something. We have got to really, really work on it.

[At this point Senator Javits withdrew from the hearing room.]

Senator PERCY. Thank you very kindly for joining us.

I think that in conclusion, your full statement will go into the record. You have illustrated that auto theft is second only to the narcotics trade in profit potential and low risk of apprehension and conviction.

We will go through the questioning just as quickly as we can now. What are the facts behind the implementation of the auto crime unit in 1971?

Mr. MARTIN. Prior to 1971, in the 5-year period immediately prior to that, we found that the rate of theft in New York City had doubled. And there was a definite need to provide expertise at the street level, at the police officer level rather than at the detective level.

Senator PERCY. What tactics did the auto crime unit adopt in 1971 to reduce the theft problem?

Mr. MARTIN. As I stated, we primarily stopped vehicles in the street. What we tried to do was to discourage the purchase of cars with altered VIN's. At that time it was relatively unsophisticated, people were using DIMA tape to cover the legitimate VIN number and to sell the vehicles to unsuspecting and in some cases unsuspecting buyers.

Senator PERCY. What sections of the city appear to have the most severe chop shop problem?

Mr. MARTIN. I would say the heaviest are the boroughs of Brooklyn and Bronx.

Senator PERCY. At the present time what percent of the vehicles stolen in New York City are cut up and sold for parts?

Mr. MARTIN. As I stated, we believe it is 55 percent of the vehicles that are stolen are stolen for parts.

Senator PERCY. And the amount of money that thieves and chop shop operators are making runs in the millions?

Mr. MARTIN. Absolutely.

Senator PERCY. From your experience what measures would help reduce the chop shop problem?

Mr. MARTIN. The numbering of more parts, a strong system of restitution when these individuals are apprehended, perhaps prosecution on a Federal level as opposed to a State level; perhaps looking into the income of these individuals from the standpoint of view of income tax. This money is tax free to the individuals that are involved in this type of business. I am sure that the Federal Government should investigate these individuals because they are living extremely well and I am sure they are declaring very little of their income.

Senator PERCY. Could we concentrate for a moment on the organized crime aspects of the problem? On what basis have you concluded that New York organized crime families are involved in the chop shop operation?

Mr. MARTIN. Perhaps I should surrender the Chair to John here. He knows more about the specifics.

Senator PERCY. Officer Murphy, could you take the microphone?

Mr. MURPHY. We concluded that organized crime was involved through the intelligence division, arrests that we have made, past association with persons that we had arrested, going back through their files, and in talking to the chop shop workers and informants.

Senator PERCY. Would you say that the risks involved in chop shops are greater than in prostitution, loansharking, and narcotics?

Mr. MURPHY. I don't feel there is any risk at all for organized crime.

Senator PERCY. Pardon?

Mr. MURPHY. I don't feel there is any risk at all for organized crime in the chop shop operation.

Senator PERCY. There really isn't?

Mr. MURPHY. None.

Senator PERCY. Do members of the organized crime families run the chop shop operations or do they simply extort money from the operators?

Mr. MURPHY. They run some of them.

Senator PERCY. They really run some of them?

Mr. MURPHY. Primarily what they are involved in is the salvage yard and the chop shop supplies them.

Senator PERCY. When did organized crime initially become involved in the chop shop operation?

Mr. MURPHY. I would say they have always been involved in the salvage, but when New York State became a title State—they started titling their cars in 1973—that is when organized crime expanded their operation to the chop shops.

Senator PERCY. Was organized crime actually involved in the crime of motor vehicle theft in the late sixties and early seventies when most stolen cars were simply retagged and sold?

Mr. MURPHY. Yes.

Senator PERCY. And the primary motivation for moving into the business is what?

Mr. MURPHY. Low risk, high profit.

Senator PERCY. Low risk, high profit. Has organized crime increased its involvement in vehicle theft operations during the past several years?

Mr. MURPHY. Yes; it has.

Senator PERCY. Does organized crime continue to be involved in the retitling and selling of stolen vehicles?

Mr. MURPHY. Yes.

Senator PERCY. How is this done?

Mr. MURPHY. Counterfeit documents, retagging, whatever they are doing before parts, they just continued. Chopping cars was just another thing.

Senator PERCY. What can we do to lessen the retag problem?

Mr. MURPHY. As the sergeant stated before, the universal title, surrendering of the VIN plate and the VIN paper and the auto paper to the motor vehicle bureau when that car is salvaged, when it is junked, you surrender everything to the motor vehicle division, have that number taken right off the street.

Senator PERCY. Is organized crime also stealing heavy equipment?

Mr. MURPHY. Into heavy equipment, construction equipment, both.

Senator PERCY. The purchase price of that type of equipment ranges how high?

Mr. MURPHY. For a used bulldozer, buy a 1968 bulldozer, it would run you about \$80,000.

Senator PERCY. What does organized crime do with the profits that they make in the chop shop business?

Mr. MURPHY. We had information last year—this is with the car thieves, the organized car thieves—that they were investing heavily in commercial property, in New York City, Nassau County, and Virginia.

Senator PERCY. One fellow testified that one of his biggest challenges was to spend the money he made.

So as these profits are channeled into legitimate businesses, organized crime becomes harder to attack?

Mr. MURPHY. Right.

Senator PERCY. Has organized crime involvement in vehicle theft operations increased the violence associated with New York chop shops?

Mr. MURPHY. The last slide that Detective Grinenko showed on the documents, that box of documents, I think it was nine people, the nine previous owners, as that changed hands. There were nine homicides, nine gangland hits over those titles.

Mr. MARTIN. Those documents were directly linked to organized crime. Since 1971 those particular documents and the equipment used to make the documents and the channels used to funnel these documents to various States had been in control of organized crime and as a result of that box or that equipment changing hands, there are nine known homicides which have taken place—gangland style homicides.

Senator PERCY. What impact has the violence had on legitimate operators?

Mr. MURPHY. On nonorganized crime chop shops?

Senator PERCY. Yes; legitimate operators, not those involved—

Mr. MURPHY. The legitimate shop, he would have to deal with them somewhere along the line. He would have to deal with organized crime.

Senator PERCY. Organized crime may drive out people in the legitimate operation. First of all, they are squeezing them out of the market and/or forcing them to get involved.

Mr. MARTIN. The lieutenant earlier this morning talked about the long line. If you have 70 dealers on a long-line system and only 10 of them are involved in illegal chop-shop type operations then they are in effect forcing the other 60 to deal in stolen property, whether knowingly or unknowingly.

In other words, the long line is designed to distribute parts. If just a small percentage of the people on that long line are operating illegally, then in effect they are forcing the legitimate operator to deal in stolen property.

Senator PERCY. If nothing is done by Federal or State governments to provide tools for law enforcement officials, is organized crime likely to increase its participation in motor vehicle theft?

Mr. MARTIN. Absolutely.

Senator PERCY. Have the murders in this field been solved?

Mr. MARTIN. When you say solved, Senator, I assume that you mean an individual arrested, taken to court, and convicted? Correct? Is that what you mean?

In other words, has anyone been arrested and convicted?

Senator PERCY. And convicted. Are murders in this field much more difficult to solve?

Mr. MARTIN. Any organized crime type of homicide is extremely difficult to solve and in many, many cases we know who the individuals are that are responsible for the homicide, but we can never build a strong enough case to take the individuals responsible to court. So in a sense we know who is responsible for these homicides, but no, we haven't had much luck in prosecution of these individuals.

Senator PERCY. Finally, how much will illicit dealers pay to rent chop shops? I understand you have an example from Queens.

Mr. MARTIN. Yes; a story was related to us by a legitimate body shop owner that stated that he was approached by an individual and this individual said that he wanted to use his facility, his body shop, during his closed hours, from midnight to maybe 8 a.m. and he would pay the owner of that shop \$1,000 a night, no questions asked, with the guarantee that by morning the shop would be left exactly as they found it.

This gives you an idea of the profit potential. If they can pay \$1,000 for 1 night's use of a building, you can see how much profit potential there is in the industry of auto theft.

Senator PERCY. Could you sum up the most worthwhile steps, in your judgment, necessary to reduce the motor vehicle theft problem?

Mr. MARTIN. The strongest pitch I have to make, Senator, is the profit. We have to in some way, shape or form take away the astronomical profits involved with auto theft.

Senator PERCY. How would you do that?

Mr. MARTIN. That is why I suggested Federal prosecution on the Federal level. I suggested perhaps an IRS type of audit on these individuals. They are living in palatial mansions. They are driving brand new cars before the model year reaches the general public. They have one on order. I mean all, a simple observation of their lifestyle compared with what they are declaring would indicate that they are into some criminal activity.

This is the only thing that is going to deter an individual from going into auto theft. We have spoken personally to individuals that we have arrested and these people border on genius. You mentioned earlier today about perhaps General Motors or Detroit hiring these people to work for them. We have discussed this with people that we have arrested. Why don't you go straight? You are working for the lawyer. And they laugh at us and say, "I may be working for a lawyer, but you are working for peanuts," and in effect it is true.

I spoke personally to an individual who told me, "You tell me the legitimate business that I can go into and make \$300,000 a year off the books, no questions asked?" And I can't give them an answer, Senator, and I am sure that is the strongest motivation for people getting involved in this game.

Senator PERCY. In this field profits are huge, yet auto theft is not looked upon as a violent crime so it is given a fairly low priority. Have you had problems in payoffs to your own personnel?

Mr. MARTIN. To be very honest—

Senator PERCY. Is that a real problem for you? It has been in Chicago, of course. We have had testimony to that effect. And payoffs in the narcotics field are widespread.

Mr. MARTIN. I would say, Senator, quite honestly; no. The problem of bribery and bribe offers to police personnel is directly proportionate to the amount of sting for lack of a better word that you can impart on that individual. Quite honestly, quite frankly, they have no reason to pay off the police. There is nothing that we can do to hurt them sufficiently to warrant them paying us off. I mean I can state to you that we have arrested people, individuals, that have offered bribes and I hope I can honestly say that everyone that offered was arrested.

But quite honestly, I don't think there is a need to bribe us. They can go to court and just play it straight.

Senator PERCY. In other words, in narcotics and prostitution criminals need to make payoffs.

Mr. MARTIN. Exactly.

Senator PERCY. Penalties for auto theft are simply not great enough to make it worth covering the risk.

Mr. GRINENKO. The only thing I would like to say is now we are leaving the area of low risk and getting away with the crime and now attempting a bribe and creating a higher risk. So why create a higher risk?

Senator PERCY. Right; I understand that thoroughly.

We have no further questions for you. I wish to express our deep appreciation, Sergeant Martin, to you and to Detective Grinenko and Officer Murphy for your great cooperation with the subcommittee. Your testimony has been valuable and we very much appreciate it. The committee will be recessed until 9:30 tomorrow morning.

Tomorrow a former thief and chop-shop operator from Cincinnati, now in prison, will be testifying. The hearing will be in this same room. The committee is recessed.

[Whereupon, at 12:30 p.m., the subcommittee was recessed to reconvene, 9:30 a.m., Friday, November 30, 1979.]

[Members present at time of recess: Senator Percy.]

## PROFESSIONAL MOTOR VEHICLE THEFT AND CHOP SHOPS

FRIDAY, NOVEMBER 30, 1979

U.S. SENATE,  
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS  
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS,  
*Washington, D.C.*

The subcommittee met at 9:39 a.m., pursuant to recess, in room 3302, Dirksen Senate Office Building, Hon. Sam Nunn (chairman of the subcommittee) presiding.

Members present: Senators Nunn and Percy.

Members of the professional staff present: Bill Goodwin, staff director; Jerry Block, chief counsel to the minority; Charles Berk, general counsel to the minority; Howard Marks and Richard Shapiro, investigators to the minority; Lynn Lerish, executive assistant to the minority; Stephanie Grill, Bill Mayer, Marie Earl, Jane Aiken, and Adele Linkenhoker, staff assistants to the minority; Myra Crase, chief clerk; and Mary Donohue, assistant clerk.

Senator PERCY [presiding]. The hearings will come to order this morning.

[The letter of authority follows:]

U.S. SENATE,  
COMMITTEE ON GOVERNMENTAL AFFAIRS,  
SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,  
*Washington, D.C.*

Pursuant of Rule 5 of the Rules of Procedure of the Senate Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, permission is hereby granted for the Chairman, or any member of the Subcommittee as designated by the Chairman, to conduct open and/or executive hearings without a quorum of two members for the administration of oaths and taking testimony in connection with Professional Auto Theft and Chop Shop operations on Friday, November 30, 1979.

SAM NUNN, *Chairman.*  
CHARLES H. PERCY, *Ranking Minority.*

Senator PERCY. Two announcements before introducing our first witness.

First. I would like to congratulate the New York City Police Department auto crime unit. At the very moment Sgt. Frank Martin of that unit was testifying yesterday morning, his men were raiding a major truck tractor-trailer chop shop in Queens. Seven persons were arrested, and the chop shop has been put out of business. That's the kind of police work we need to stop this problem.

Instead of going to La Guardia yesterday, I should have gone to witness the operation.

Second. The spiral of violence and death continues in Chicago. I have been informed that Roy Gordon, a 34-year-old man believed to be involved in a professional car theft ring, was identified by police with two bullets in his head. His body was found in a cornfield near Lowell, Ind., about 25 miles south of Chicago. This brings the Chicago professional motor vehicle theft death toll to at least 15.

Will our first witness be brought in please. Before you take your seat, would you mind taking the oath. Hold up your right hand. Do you solemnly swear to tell the truth, the whole truth and nothing but the truth, so help you God?

Mr. BUNNELL. Yes, sir. I do.

#### TESTIMONY OF WILFRED CHARLES BUNNELL, JR.

Senator PERCY. Please be seated. If you could take a seat right in the center with the microphones there, that would be fine.

I want to advise you first of your rights and obligations as a witness before this subcommittee. First. You have the right not to provide any testimony or any information which may tend to incriminate you. If you do so testify, anything you say here may be used against you in any other legal proceeding.

Second. You have the right to consult with an attorney prior to answering any question or questions.

Third. Under the rules of procedure for the Permanent Subcommittee on Investigations, your attorney may be present during this testimony. Do you understand that you have a right to have an attorney here?

Mr. BUNNELL. Yes, sir. I do.

Senator PERCY. In that regard, would you state whether or not you do have an attorney, and if so, give us his name?

Mr. BUNNELL. At this time, sir, I don't have an attorney.

Senator PERCY. Do you waive your right then to have an attorney present?

Mr. BUNNELL. Yes, sir. I do.

Senator PERCY. As I indicated, in addition to your rights as a witness, you also have an obligation while testifying before this subcommittee to testify truthfully. If you do testify you are obligated to provide truthful responses so as not to subject yourself to the laws and penalties regarding perjury. Do you understand your rights and obligations as a witness?

Mr. BUNNELL. Yes, sir.

Senator PERCY. I wish to express the appreciation of this subcommittee for your cooperation and appearance here today.

Mr. BERK. Senator Percy, at this time, I would ask that a 10-page detailed affidavit by Mr. Bunnell, properly identified, be entered into the record.

Senator PERCY. It will be entered into the record at this point.

[The document referred to was marked "Exhibit No. 25" for reference and follows:]

#### EXHIBIT No. 25

##### AFFIDAVIT OF WILFRED CHARLES BUNNELL, JR.

I, Wilfred Charles Bunnell, Jr., freely and voluntarily make the following statement to Howard S. Marks and Richard Shapiro, who have identified them-

selves to me as members of the staff of the United States Senate Subcommittee on Investigations of the Governmental Affairs Committee. No threats, force, duress, promises or representations have been used to induce me to make this statement.

I am a United States citizen. I was born July 5, 1952 in Los Angeles, California. As a young child, I moved with my family to Hamilton County, Ohio, where I have lived ever since.

As long as I can remember, I have been mechanically-inclined. I always enjoyed working with my hands; as a high school student, my favorite subject was art and for a long time I wanted to teach art when I finished college. As an 11-year-old I got my first exposure to auto repair when my uncle Henry Pittman gave me a job in his body shop in Sharonville, Ohio. I started out running errands and doing relatively simple jobs, but by the time I was 16, I was considered an experienced rebuilder. Competent with an arc welder and the other cutting devices used in body work, I was as good as any man in the shop.

At age 16, I began working at Bill Hill's Body Shop in Maud, Ohio. Hill, a friend of my uncle's knew how good I was and that I had the experience of a much older man. When one of Hill's full-time employees quit, Hill asked my uncle if I would come work for him. Uncle Henry urged me to take the job because Hill would pay me much more than my uncle could.

Although still in high school, I began to spend more and more time working on cars. I worked for Hill every day after school and all day during the summers. As a part-time employee, I made what I considered to be a significant amount of money for a high school student—\$150-\$200 a week. Not only was the work financially very good, but I really enjoyed the feeling of independence it gave me. I felt that I had a skill that was in great demand and that, to a certain extent, I could act as my own boss. Like most body men, I considered myself a breed apart from regular auto mechanics; for example, I always worked on commission so my salary depended on how hard I worked. If I didn't feel like working hard one day, I didn't.

In 1970 when I was 17, I had my first exposure to illegal "chop shop" operations. While working at Hill's shop in Maud, I met Larry Joe Carnine who also worked for Hill as a body man. Carnine really impressed me when I first met him; he was the type of guy who always had a lot of money to spend. It was not uncommon for Carnine to carry several thousand dollars cash in his pocket. To an impressionable kid still in high school, Carnine cut an imposing figure. About 25, he had lots of money, and always seemed to be involved with several women at once.

One evening, after I had known Carnine for several months, he brought me down to his own garage located in Bethany, a few miles away. He explained that he used this garage as a "chop shop" in the evenings. Although I had heard of these operations before, I had never actually seen one. Carnine's garage was not very big, but it was absolutely filled with cars—all of which had been stolen. He told me that every evening he would come down to his shop in Bethany and dismantle or "chop up" the cars. He bragged to me that he sold these stolen parts to auto repair dealers around town for astronomical profits.

At this point, I had absolutely no criminal record; I had never committed a crime in my life. That night I committed my first. I helped Carnine dismantle his stolen car and the following night I returned to help him chop another. At the time, I had no idea that I was involving myself in an operation that was to steal approximately 5,000 cars over the next seven years.

Although Carnine only paid me \$25 for each car (a sum that would seem paltry to me later), it only took us an hour and a half to dismantle each one. From my very first exposure to chop shops, I could tell that they were a lucrative business.

When we stripped the cars, we broke them down into their component parts: the hood, two front fenders, rear bumper, radiator, deck lid, transmission, motor, steering column, windshield, cowl, seats, tires, and frame. For an experienced body man like myself it was extremely easy; it required absolutely no special skills or expertise.

Although initially I was very worried about engaging in an activity I knew to be illegal, Carnine reassured me by pointing out that he had done it for years and had never been arrested. He added that he employed other men to actually steal the cars and that all I had to do was chop them up. It didn't take long for me to swallow my fear and convince myself that the financial attractions outweighed the potential dangers. From my point of view, the money was just too good to turn down.

I gradually began to work more frequently with Carnine and eventually ended up spending every evening with him in the shop in Bethany. We would cut up at least one car a night; sometimes on weekends we could strip three cars in one day. By mid-1970, the money with Carnine was so good that I quit Hill's Body Shop and worked full-time in the chop shop. In the early days, Carnine never explained to me who actually stole the cars. He said that it would be better for me if I didn't really know the full scope of the operation.

But I did know enough about how things worked to know that Carnine was making a lot of money off this chop shop. Having worked for several years in legitimate body shops, I calculated that Carnine made about \$1,500 to 2,000 a car. Indeed, these profits seem even more phenomenal in light of the fact that it took two men only an hour and a half to dismantle a car and load the marketable parts onto a covered truck. In this, my first chop shop, we stole and chopped an average of 10 cars a week.

Carnine had several people working for him stealing cars. As I became more deeply involved in the auto theft ring, Carnine came to trust me a great deal and I gradually learned who they were and how they operated. Carnine's most productive thieves were Thomas Majors from Chattanooga, Tennessee and James Spangler from Branch Hill, Ohio. Although I never actually stole the cars myself I came to play an increasingly important role in the thefts. My job was to determine the quickest and easiest ways of defeating the new security systems that Detroit kept devising. Every time a new ignition lock system came on the market, we sent Majors out to one of the dealerships to steal a car that contained the new device.

Majors' ploys for stealing cars off dealers' lots were simple. First, he would steal an old car off the street and use it as collateral when he test-drove a car at a dealership. Unfortunately for the car dealers, when Majors drove off the lot with a new car, that was the last time they ever saw him or the car. When the dealers tried to trace the car Majors left behind as collateral, they would quickly discover the car had been stolen a day or two before. In another, equally brazen technique, he would have a duplicate set of keys made while he was out on a test-drive. After returning the car to the dealership, Majors would use his duplicate keys to steal the car late that night.

Majors would then bring the new cars back to the shop where I would dismantle the steering column to determine the easiest way to defeat the ignition locking system. Usually it would only take me a couple of hours to figure out how the new system could be defeated. Once when General Motors came out with a case-hardened steel front plate on its ignition locks in 1974, it actually took me several days to determine a quick way of beating the lock. The trick was the realization that the steel plate would break if hit with a hammer and a center punch. Then all I had to do was pull the lock out with a dent puller and then insert a screwdriver or  $\frac{3}{8}$ " 12-point deep well socket into the ignition. Turning the screwdriver or deep well socket started the car as easily as if I had used the original key. The whole process from breaking into the car to starting the ignition would take less than two minutes.

I could never understand why GM did not make the entire locking system out of case-hardened steel. If that were done, I don't think I could beat the system. I also could not understand why Ford's security features were so much easier to defeat than GM's. Their ignitions could literally be pulled right out of the steering column using nothing more sophisticated than pliers.

After determining the fastest way to defeat the new security features, I would demonstrate my technique to Majors, Carnine, and Spangler. After my instruction session, our thieves would be ready to steal the new model cars without any trouble at all.

Frequently, I would drive Carnine around in the evening looking for late-model luxury cars to steal. We concentrated on shopping centers and affluent neighborhoods. I never did the actual stealing because I was always afraid I would get caught.

Actually, I never felt completely comfortable chopping stolen cars either. So when in 1971, my father begged me to come work with him at the Fox Paper Company in Lochland, Ohio, I acceded to his wishes. Coming from a tight-knit family, it would have been difficult to disappoint him. Similarly, my wife Theresa, whom I married in 1970 when I graduated from high school, objected to the hours I kept while working in the chop shop. Obviously, the money I made at the paper company didn't begin to compare to the money I made from chop shops.

While I had been making \$400 to \$600 a week at the chop shop in Bethany, my starting salary at Fox was only about \$2.97 an hour. I worked seven days a week on the swing shift; I never knew from one week to another what time I would be expected to work. Needless to say, a certain amount of glamour was lacking in this new job. More importantly, I missed using my particular talents with cars. However, I felt good about getting out of the auto theft ring and I completely lost touch with Carnine at this point.

Unfortunately for me, I didn't stay away from Carnine or auto theft permanently. The money to be made in chop shops was just too attractive; the lucrative aspects of the crime finally overwhelmed my other reservations. In 1973, I entered into a partnership with Carnine in a chop shop called Auto Rebuilders in Reading, Ohio. Carnine set up a body shop in the garage during the day in the evenings we used it for cutting up stolen cars. Unbeknownst to the car owners who brought us their cars for body work, we would invariably use our stolen parts in the repairs. Needless to say, we charged these customers the full cost of new replacement parts.

This new operation was even more lucrative than the first chop shop in Bethany had been. In one six-month period, Carnine made at least a \$75,000 profit just from his illegal activities. From my evening work alone, I personally cleared over \$11,000 during this period. At the same time, I had full responsibility for running the body shop during the day for which I was paid \$200 a week.

Carnine employed three men to do nothing but steal cars for the chop shop. Each theft was custom ordered; Carnine would direct the thieves to steal only those cars that could provide the parts that he needed for customers' cars brought to the Auto Rebuilders garage. All the chopping was done by Carnine and myself. Our thieves were so good (and so bold) that if Carnine gave them an order in the morning, they could have the car sitting in our garage that afternoon. In short, we were a business that operated with practically no overhead; all the merchandise we sold was stolen. Consequently, the operation made a fortune. When all the costs of employing auto thieves and body men were factored in, it probably only cost Carnine about \$400 to \$700 to steal and chop a car. Yet, when he installed just one front end, he would charge the customer anywhere from \$2,000 to \$3,000—a 300 to 750 percent markup.

Ironically, some of our best thefts came from our legitimate customers. Majors, who worked for us in this chop shop too, would frequently have duplicate keys made for cars that had been brought in for repair. After the cars had been returned to their owners, Majors would go out to their homes to steal the cars back. For example, one Cincinnati doctor brought his \$27,000 Jensen Interceptor into our body shop for work. When Majors saw that beautiful car sitting in our shop, he immediately went out and copied the keys. Later, after the doctor picked up his car, Majors went out to his home and stole the car right out of his garage.

Whenever we were operating chop shops, we liked to move them frequently. If we stayed in any one location too long, we ran the risk of attracting police attention. In early 1975, Carnine expanded his business into a two-shop operation. Carnine leased a 15-car garage in Remington, Ohio for the body work and he set up a separate garage in Hamilton, Ohio as the chop shop. We'd bring the stolen parts from the chop shop to our garage on the back of a flatbed truck. All in all, Carnine and I each made about \$1,500 to \$2,500 a week from the chop shop and about another \$2,500 a week from our business. In addition, we paid six body men in the garage salaries of \$150 a week.

At this point, we also became involved in an activity known in the car business as "retagging." Ultimately, this became the most lucrative aspect of our operation on a per car basis. Retagging requires obtaining a wrecked car in order to transfer its legitimate title and public Vehicle Identification Number (VIN) to a stolen car. We had a beautiful system. We would buy badly damaged automobiles from a salvage pool in Latonia Springs, Kentucky.

We would then tow the worthless car back to our garage and steal a car of the same make and model. I would remove the public VIN from the stolen car and replace it with the public VIN of the totaled car. Next, I would burn the VINs off the engine and transmission of the stolen car so that the police would never be able to positively identify true ownership of the stolen car.

At that point, the car would be taken to a state-authorized new car dealership for a physical inspection. In Ohio, the duty of inspecting out-of-state cars before issuing Ohio titles of ownership is given to specified car dealerships. These

dealerships inspect the car for a fee and then provide an approval inspection slip. The inspection consisted of nothing more than checking the public VIN to make sure it matched the VIN listed on the title. By presenting the inspection slip and out-of-state title, we could easily obtain a legitimate Ohio title for a stolen car. Finally, we would sell our stolen car for \$7,000 to \$8,000 by advertising in the classified section of the local newspaper.

I find it absolutely absurd that the state gives the responsibility for inspecting cars to private dealerships. It was my experience that dealerships with which we worked would approve any car we brought in as long as we paid the inspection fee. Once I even towed a car which had no motor, transmission, doors, seats or front tire, yet the dealer attested that the car was driveable and that I was the legitimate owner. As long as Ohio continues to allow dealerships to inspect cars before issuance of title, retag operations will flourish.

The manufacturers attempt to make it difficult to retag cars by using "rosette rivets" to secure the public VIN plate to the dashboards of cars. These special rivets are not available on the open market; they are produced by the Fisher Body Plant specifically for General Motors. If a VIN plate was ever fastened with anything other than a rosette rivet, it would be a sure sign that the car had been retagged. Luckily for us, Carmine had a friend who worked at the Fisher Body Plant in Cincinnati. This friend sold Carmine this valuable part for one dollar. Carmine once showed me a box of 2,000 rivets he had purchased.

I was told by Carmine's friend that these rivets were closely guarded at the Fisher Plant; no one could even enter the room where they were stored without a special authorization. We always thought it quite ironic (and financially very fortunate for us) that we had such easy access to the automotive part specifically designed to prevent retagging.

When our retagging operation was working at peak efficiency, we were retagging as many as 10 cars a month. Majors was the individual most heavily involved in the retag operation. I would estimate that over this seven-year period, Majors, along with Spangler, Carmine and me retagged about 1,500 cars.

1975 and 1976 were our best years. We closed our garages in Remington and Reading to avoid attention to our operation and opened another garage in High Point, Ohio where we did nothing but chop cars. Personally, I worked on anywhere from 16-26 cars a week and made between \$400 to \$1,000 a car. My weekly take-home salary averaged about \$7,000. I would estimate that Carmine made three times my salary.

Despite the incredible profits that we were making, I began to have some doubts about the wisdom of my own participation. I was particularly concerned because it seemed, in the latter part of 1976, that Carmine was getting greedy and was not exercising the proper discretion in our affairs. He was keeping two or three different women and trying to make time for all of them—a difficult task for any man, especially one with a wife and four children. As a result of his social pressures, Carmine began operating in a careless fashion in the garage. He left stolen parts lying around the garage for weeks instead of hauling them away immediately. In addition, Carmine began drinking heavily and bragging about how he made his money.

Financially, I felt pretty secure. During the years I was involved in auto theft, I lived quite well—I worked only when I felt like it; I spent a lot of money partying and drinking; and even though I was married, I had several girlfriends for whom I like to buy expensive presents. I was involved with at least 10 different women over this seven-year period, and I completely supported most of them. I enjoyed having the cash to do the things I wanted to do. At one point, I remember having \$22,000 in cash stashed under my mattress at home. In fact, I usually kept all my money at home because I found that using a legitimate bank account would attract attention.

Thus, early in 1977, feeling slightly concerned about the safety of our operation, I began to put some distance between myself and Carmine. For years, I had been intimately involved in the day-to-day operations of our ring, but now I began to cut back. I still visited the garage occasionally and would even drive Carmine out to where he would steal cars, but I refused to do any more illegal body work. Ultimately, I became something of an unofficial advisor to Carmine and worked only when I wanted some extra money.

Ironically, my own arrest and conviction came at this point when I had only very limited contact with the auto theft ring. In February, 1977 I purchased a car from James Spangler. Spangler promised me that everything about the

car was legitimate. Unfortunately, he sold me a title that didn't match the car.

I learned that Spangler had double-crossed me through a strange combination of events. Despite the incredible amounts of money I made in the chop shop operations, I squandered most of it on women and drinking. Consequently, I took out a loan from my bank to pay for the Firebird I bought from Spangler. Unfortunately, I neglected to drop off the title of the car as I promised which led the bank to contact my insurance company to make certain I actually owned the car. When an insurance company employee erroneously told the bank that I had dropped my insurance, the bank repossessed my car. The bank repossessioners came with the police who checked the car and learned (to my surprise) that the car had been stolen. In April 1977, I was arrested for the first time in my life.

The law enforcement officers told me that if I cooperated and told them what I knew about the stolen car, they could make things easier for me. Not wanting to go to jail, I agreed to cooperate. I was so furious at Spangler and Carnine, who both knew the car had been stolen, but I wanted to get back at them in any way that I could. I explained to the police how our chop shop ring operated and I identified several dealers who had purchased our stolen parts. On several occasions, I actually accompanied the police on their raids of these ostensibly legitimate dealers; frequently, I could identify stolen parts that the police had overlooked in the shops.

I also cooperated with the local office of the FBI. Along with FBI Agent Gary Gardner, I spent many days identifying stolen auto parts that had been abandoned or discarded for want of a buyer. Engines, transmissions, and cowls are always stamped with a VIN; these numbers are stamped right into the metal and are difficult to alter. It takes a great deal of time and effort to change these numbers. It came as no surprise to me that the majority of the parts that I helped Gardner recover from local streams, fields, forests, etc., were parts that had been stamped with VINs, such as cowls and transmissions. The reason for this is obvious: it is not worth the time or effort of the chop shop operator to alter the VINs on these parts when such substantial profits could be made on almost every other car part with little or no work.

Based on evidence I supplied, both local and federal prosecutors built cases against Carnine, Majors, and Spangler. Carnine and Majors have been convicted and sentenced to prison; however, both are appealing their convictions. Spangler's case is still pending.

It is my belief that the popularity and pervasiveness of chop shops in America has been greatly underestimated. Operating in the Cincinnati area, it was clear to me that the demand for replacement body parts was virtually unhalted. We provided a service for legitimate body shops that the automobile manufacturers simply did not provide. Automobile manufacturers frequently take weeks, perhaps months, to deliver replacement parts to repair shops. We could supply those parts in one day at half the cost. It is important to understand that we were not delivering poor quality goods; frequently the quality of our parts surpassed that of the manufacturers. Anyone who has worked in a body shop knows that the manufacturer frequently deliver parts which are damaged or broken. That was never a problem with our parts; we only stole the best.

It was to an auto repair shop's advantage to buy from us and not simply because we were prompt and conscientious in our deliveries. When an auto repair shop receives a part from a manufacturer, it usually is not assembled and requires several hours of labor to put together. For example, to assemble a new door usually takes a body man about four hours. Our parts, on the other hand, would come completely assembled and ready to go on the car. An unscrupulous dealer could use our parts but charge the unsuspecting car owner for the labor that it would have taken to put a new part together. These overcharges were not insignificant; for a major repair such as installing a new front end, the car owner might be billed out of several hundred dollars in bogus labor charges alone.

From my perspective working in a chop shop, it was very clear that many auto repair dealers were quite willing to avail themselves of our services. In our shop, we might get two or three calls a day from the same dealer ordering different parts. We would send someone out to steal the appropriate car, chop it up, and send the parts over to the dealer by the next day. Every one involved knew that the dealers were re-selling our stolen parts for significant profits.

There is no doubt in my mind that if a concerted effort was made by the automobile manufacturers, law enforcement, the insurance industry, and the government, the chop shop problem could be substantially reduced. For example, if the manufacturers placed VINs on the majority body parts and the federal and state governments made it an offense to alter or remove these numbers, it would be so difficult to operate that most thieves would be forced out of the chop shop business. If repair shops knew that the police could enter the shops and ascertain whether a part had been stolen by simply checking a number, the repair shops could not afford to traffic in stolen goods. Understandably, if the demand for the parts dried up, the profits to be made would vanish. In my case, if these VINs had existed on the major body parts when I first got involved in chop shops, I never would have chopped that first car. The risks would have been too great.

Secondly, as an experienced auto mechanic and expert in auto theft I firmly believe that the automobile industry could develop an ignition lock which could withstand the efforts of even the most sophisticated thief. If these two changes were implemented, the incidence of auto theft in America would decline dramatically.

I have read, reviewed, and initialed each page of this statement, and I swear, to the best of my knowledge and belief that the statements contained therein are true and correct.

WILFRED CHARLES BUNNELL, JR.,  
Sworn to and subscribed before me this 16th day of July, 1970.

TERESA I. ROCHELLE, *Notary Public*.

I farther state that I am ready, willing, and able to appear and provide testimony before any executive or public hearings which may be held by the United States Permanent Subcommittee on Investigations of the Committee on Governmental Affairs should I be called to testify. No promises, representations or warranties have been made to me as an inducement for such testimony.

WILFRED CHARLES BUNNELL, JR.

Senator PERCY. If you would proceed. Do you have a statement to give this morning?

Mr. BUNNELL. Yes, sir, I do.

Senator PERCY. We will be happy to have you give that statement.

Mr. BUNNELL. Thank you, sir. My name is Wilfred Charles Bunnell, Jr. I was born July 5, 1952, in Los Angeles, Calif. As a young child I moved with my family to Hamilton, Ohio. Except for the time I have spent in prison, I have lived there ever since. The events which I am about to describe have all taken place in the Cincinnati area. As long as I can remember, I have been mechanically inclined. As an 11-year-old I began repairing cars when my uncle, Henry Pittman, gave me a job in his body shop in Sharonville, Ohio. By the time I was 16, I was considered an experienced automotive rebuilder.

In 1970 when I was 18, I first learned about illegal chop shop operations in southwestern Ohio. While working as an auto rebuilder at Bill Hill's Body Shop in Maud, Ohio, a suburb of Cincinnati, I met Larry Joe Carnine, who also worked for Hill as a body man. Carnine impressed me when I first met him; he always seemed to have a lot of money to spend. To an impressionable kid still in high school, Carnine was an exciting guy.

One evening, after I had known Carnine for several months, he brought me down to his own garage located in Bethany, Ohio, a few miles away from where I worked. He explained that he used this garage as a chop shop in the evenings. Carnine's garage was not very big, but it was absolutely filled with cars, all of which had obviously been stolen. He told me that every evening he would come down to his shop in Bethany and dismantle or chop up the cars. He bragged to me that

he sold these stolen parts to auto repair dealers around town for astronomical profits.

At this point, I absolutely had no criminal record; I had never committed a crime in my life. That night I committed my first. I helped Carnine dismantle his stolen car, and the following night I returned to help him chop another. At the time, I had no idea that I was involving myself in an operation that was responsible for the thefts of approximately 5,000 cars over the next 7 years. Nonetheless, from my first exposure to chop shops, I could tell that there was plenty of money to be made.

In the early days, Carnine never told me who actually stole the cars we chopped each night. He said that it would be better for me if I didn't really know the full scope of the operation. I did know enough about how things worked to realize that Carnine was making huge illegal profits from his chop shop.

Over the next year, I became more deeply involved in Carnine's auto theft ring. Although I never actually stole the cars myself, I began to play an important role in the thefts. My job was crucial to the thieves; I determined the quickest and easiest ways of defeating the new antitheft security systems that Detroit kept devising. Although the manufacturers claimed these systems could deter theft, usually it would only take me a couple of hours to figure out how the new system could be defeated. After determining the fastest way to defeat the new security systems, I would demonstrate my technique to the thieves who worked for Carnine. Within a few days, our thieves would be ready to easily steal the new-model cars.

Although I never did the actual stealing, because I was afraid I would get caught, I was still uncomfortable about chopping stolen cars. So, in 1971, to satisfy the wishes of both my wife and my father, I went to work with my father at the Fox Paper Co. in Lockland, Ohio. Obviously, the money I made at the paper company didn't begin to compare to the money I made from chop shops. And, needless to say, this new job lacked the excitement of chopping cars. More importantly, I missed using my particular talents on Detroit's new cars.

Unfortunately for me, I didn't stay away from Carnine or auto theft permanently; the money to be made from chop shops finally overwhelmed my other reservations. Thus, in 1973, I entered into a partnership with Carnine in a chop shop called Auto Rebuilders, located in Reading, Ohio.

The new operation was even more lucrative than the first chop shop in Bethany had been. In early 1975, Carnine expanded the business into a two-shop operation. He leased a 15-car garage in Remington, Ohio, for the legitimate body work and set up a separate shop in Hamilton, Ohio, for chopping cars. At this point, we also started "re-tagging" cars, another lucrative and illegal way to get rid of stolen cars. Ultimately, this became the biggest moneymaking part of our operation on a per car basis.

Our biggest years were 1975 and 1976. Carnine and I closed our garages in Reading and Remington and opened a new garage in High Point, Ohio, where we did nothing but chop cars. Despite the incredible profits—

Senator PERCY. When you say incredible profits, what do you mean? How much were you earning and do you have any idea what Carnine was earning at that time?

Mr. BUNNELL. Yes, sir, I was making anywhere from \$1,500 to \$2,000 on each automobile that was chopped up.

Senator PERCY. What was your own annual income and do you know how much Carnine made?

Mr. BUNNELL. I made somewhere in the neighborhood, before the shops were closed down, about \$7,000 a week.

Senator PERCY. Week in and week out?

Mr. BUNNELL. Yes.

Senator PERCY. Do you have any idea what Carnine's profits were?

Mr. BUNNELL. They were at least three times mine.

Senator PERCY. So he was making better than \$20,000 a week?

Mr. BUNNELL. Yes, sir.

Senator PERCY. Go right ahead. We were just talking about, "Despite the incredible profits that we were making,"—

Mr. BUNNELL. In early 1977, feeling concerned about the safety of our operation, I began to put some distance between myself and Carnine. By the end of 1976, Carnine had gotten greedy and was operating the garage carelessly. For years, I had been directly involved in the day-to-day operations of our ring, but considering Carnine's attitude, I began to cut back. I still visited the garage occasionally and would even drive Carnine out to where he would steal cars, but I refused to do any more illegal body work. I would still give Carnine advice on his own operation, but I only worked for him when I wanted some extra money.

Ironically, my own arrest for receiving stolen property came after I had already limited my contact with the auto theft ring. In February 1977 I purchased a car from one of our thieves, James Spangler. Spangler had promised me that everything about the car was legitimate. What he didn't say was that he sold me a title that didn't match the car.

Through a strange combination of events, I learned how he had doublecrossed me. Despite the incredible amounts of money I made in the chop shop operations, I squandered most of it on women and drinking. Because I was low on cash, I took out a bank loan to pay for the Firebird I had bought. Unfortunately, I neglected to deliver to the bank the title of the car as I had promised. This led the bank to contact my insurance company and make certain I actually owned the car. When an insurance company employee mistakenly told the bank that I had dropped my insurance, the bank repossessed my car. The bank repossessors came to my home with the police who examined the car and learned, to my surprise, that the car had been stolen. As a result, in April 1977, I was arrested for the first time in my life.

The police told me that if I cooperated and told them what I knew about the stolen car, they could make things easier for me. Not wanting to go to jail, I agreed to cooperate. I explained to the police how our chop shop ring operated, and I identified several dealers who had purchased our stolen parts. On several occasions, I actually accompanied the police on their raids of these supposedly legitimate dealers.

Frequently, I identified stolen parts that the police had overlooked during the raids. I also cooperated with the FBI Office in Cincinnati. Along with FBI Agent Gary Gardner, I spent many days identifying stolen parts that had been abandoned or discarded, because they could be identified as stolen.

Based on evidence I supplied, local and Federal prosecutors built cases against Carnine and other members of our operation. Carnine has been convicted and sentenced to prison; however, he is appealing his conviction.

It is my belief that the number of chop shops in America has been greatly underestimated. Operating in the Cincinnati area, it was apparent to me that the demand for replacement body parts was virtually unlimited, and our chop shop prices for these parts were well below the manufacturer's selling price. And, from my perspective, working in a chop shop, it was very clear that many auto repair dealers were quite willing to take advantage of our special services.

There is now doubt in my mind that if a strong effort to combat auto theft is made by the automobile manufacturers, law enforcement, the insurance industry, and the Government, the chop shop problem can be substantially reduced. Thank you.

Senator PERCY. Thank you very much. I think without any doubt, your story describes how one can get sucked into this business, and find it hard to get out. In the 7 years that you were in the business, from 1970 to 1977, were you concerned that you might be arrested?

Mr. BUNNELL. The fear got greater as I was involved in it for a longer period of time. When I first started, Larry Carnine, my partner, he had assured me he had been in for years and never been arrested for this, and that my major job would be to strictly help strip the cars, to bust them up. He told me that I should never suffer any kind of repercussions from this.

Senator PERCY. Just one clarification on the amount of money that you made in this operation. You described 1975 and 1976 as your best years. You indicated you were making about \$7,000 a week, that would be \$350,000 a year. Was that all take-home pay or did you have costs?

Mr. BUNNELL. They were minor costs.

Senator PERCY. Minor costs?

Mr. BUNNELL. Yes, sir.

Senator PERCY. The roughly \$350,000 you were making was in cash, was it? And tax free?

Mr. BUNNELL. Yes, sir.

Senator PERCY. You have indicated that Carnine earned three times that, let's say \$20,000. If it's a 50-week year, assuming you take 2 weeks vacation, that's \$1 million for him. Did he have expenses against that for operations?

Mr. BUNNELL. Larry also sustained minor operational—

Senator PERCY. Minor costs?

Mr. BUNNELL. Yes, sir.

Senator PERCY. Let's start right at the beginning of your own personal background. After hearing about your past, and specifically the early age at which you became involved in criminal activities, I would be interested in exploring why you turned to chop shops for a living? Were you a good student in school, for instance?

Mr. BUNNELL. Yes, sir, I maintained about a B average.

Senator PERCY. What were your interests during high school?

Mr. BUNNELL. I was an art major. I had won an art award in a statewide art contest as a junior high school student. I made varsity football, and I was a varsity wrestler also.

Senator PERCY. The only difference between you and my son was that he maintained a C plus average. He won three letters and the St. Albans school award for pastel painting.

You are about the same age. What were your career goals?

Mr. BUNNELL. I had every intention of going to college to become an art teacher, sir.

Senator PERCY. And you wanted to become, what an art teacher?

Mr. BUNNELL. Yes, sir.

Senator PERCY. Why were you sidetracked from that course?

Mr. BUNNELL. I guess it happened due to the early age that I started my involvement with body work and the amount of money that could be made in the business.

Senator PERCY. That is legitimate repairing of cars?

Mr. BUNNELL. Yes, sir.

Senator PERCY. You were a skilled craftsman, then, and could easily earn a living as an automobile repairman?

Mr. BUNNELL. Yes, sir, I was considered a top automobile repairman.

Senator PERCY. Before you entered the chop shop business, did you have any kind of a criminal record at all?

Mr. BUNNELL. No, sir, I did not.

Senator PERCY. Not even arrested for any misdemeanor or childhood prunks?

Mr. BUNNELL. No, sir.

Senator PERCY. You mentioned in your statement that Larry Carnine impressed you when you first met him because he always had a lot of money. How did he impress you, and how much money did he usually carry with him?

Mr. BUNNELL. Larry would usually carry several thousand dollars in his pocket. He would take me places with him. He just always had the money with him to do the things he enjoyed himself. He enjoyed his money.

[At this point Senator Nunn entered the hearing room.]

Senator PERCY. How did Carnine spend his money?

Mr. BUNNELL. Mostly on partying, drinking, a lot of women.

Senator PERCY. When you first went to Carnine's garage in Bethany, did he tell you the cars in the garage were stolen?

Mr. BUNNELL. No, sir, I drew my own conclusion to that due to the fact all the cars in the garage were late-model automobiles. They were not damaged, but taken apart.

Senator PERCY. You came to that conclusion pretty quickly?

Mr. BUNNELL. Yes, sir.

Senator PERCY. What types of cars were they? You mentioned they were mostly new.

Mr. BUNNELL. Yes, sir.

Senator PERCY. What types of cars did he have most often?

Mr. BUNNELL. Monte Carlos, Torinos, stuff of this nature. He would get some Cadillacs, but not many.

Senator PERCY. Senator Nunn, we are very pleased to welcome you again to the hearings. Mr. Bunnell has been very cooperative. Break in at this point.

Chairman NUNN. I will catch up with you. You go right ahead.

Senator PERCY. Thank you. Why were there no older model cars in the garage?

Mr. BUNNELL. There really wasn't that much demand for an older type part, and the money, when there was, was so small that it really didn't pay the men to get involved in stealing the car.

Senator PERCY. You surmised that these cars could not be obtained legitimately, so that they must be stolen. At what point did you become concerned that you might be engaged in a criminal activity?

Mr. BUNNELL. After Larry's assurance that he had never suffered any kind of repercussions from this, it more or less just left my mind, sir, due to the money I was making, too. That helped a lot.

Senator PERCY. If he said to you, now, you know, you're a young fellow and you have a skill, I could use you, but I want you to realize that there is a high risk, you would get caught, would you have thought twice about participating?

Mr. BUNNELL. Yes, sir, I would.

Senator PERCY. But he assured you that he had been engaged in it all these years, and had never been arrested.

Mr. BUNNELL. That's right, sir.

Senator PERCY. How much were you paid by Carnine when you started out dismantling cars?

Mr. BUNNELL. I was paid \$25 a car.

Senator PERCY. Did you consider that much money for dismantling a car, \$25?

Mr. BUNNELL. Yes, sir, because it would only take two people approximately an hour and a half to completely dismantle a car and have it loaded onto a flatbed truck.

Senator PERCY. So you were making how much an hour then?

Mr. BUNNELL. In excess of \$16 an hour.

Senator PERCY. That is a little better than minimum wage?

Mr. BUNNELL. Yes, sir, it is.

Senator PERCY. It took you an hour and a half to dismantle the car. Did chopping require special skills?

Mr. BUNNELL. No, sir, due to my past experience as an auto body man, I had naturally acquired talents for dismantling automobiles.

Senator PERCY. When you were a body man repairing cars, was it easier to dismantle than to repair cars?

Mr. BUNNELL. Oh, yes, sir, it was.

Senator PERCY. Much easier then?

Mr. BUNNELL. Yes.

Senator PERCY. Do you know how much money Carnine was making when you started out with him?

Mr. BUNNELL. He was still making around \$1,200, maybe \$1,500 for each car.

Senator PERCY. For each car. And you averaged how many cars a week?

Mr. BUNNELL. At least 10 cars a week at that particular time.

Senator PERCY. So that's \$20,000 a week that he was making. No wonder he had money.

Mr. BUNNELL. Yes, sir.

Senator PERCY. Did Carnine ever tell you who stole the cars for him?

Mr. BUNNELL. No, sir, he didn't, but as I became more involved with the ring—

Senator PERCY. Originally he did not?

Mr. BUNNELL. Right.

Senator PERCY. But as you became friends, did he open up?

Mr. BUNNELL. Yes, sir, he did.

Senator PERCY. And did he actually name the thieves and tell you how they worked?

Mr. BUNNELL. Yes, sir, he identified them and I met them.

Senator PERCY. Can you remember the names of some of the most productive thieves?

Mr. BUNNELL. Yes, sir, Thomas Walter Majors and a James Spangler.

Senator PERCY. Where were they from?

Mr. BUNNELL. Thomas was from Chattanooga, Tenn., and James Spangler was from Branch Hill, Ohio.

Senator PERCY. Your job was to find the quickest and easiest ways of defeating the new security systems that Detroit kept devising. How frequently do they devise new systems?

Mr. BUNNELL. It seemed like from year to year they would change them just a little bit. It was minor.

Senator PERCY. In other words, the manufacturers were well aware of the theft problem. They were trying to do something to curb it?

Mr. BUNNELL. Yes, sir.

Senator PERCY. How did you get the new cars to pick apart?

Mr. BUNNELL. Tom Majors or James Spangler would actually go to a new car lot dealer and pick up, he would pick up a car for us.

Senator PERCY. Where would he pick that car up?

Mr. BUNNELL. First of all, he would pick up another car off the street, he would actually steal it, drive it to the new car dealer and use it as collateral to test drive the other one, and just not take the car back, bring it to the garage. On other occasions, he would actually take a previous set of keys that had been obtained through another auto theft, and actually change the keys at the dealership and take the original keys to the car.

Senator PERCY. How long would it normally take you to figure out a way of defeating a newly introduced ignition system?

Mr. BUNNELL. No more than after a couple hours that I obtain access to the car.

Senator PERCY. What did you do to defeat the lock?

Mr. BUNNELL. I dismantled the steering column and derived different conclusions as to what way would be the best to steal this car and the fastest way, and then reassemble the car and then demonstrate.

Senator PERCY. How long would it take you to break into and drive away a car after you had figured out the new system?

Mr. BUNNELL. The whole process of stealing the car was no more than 1 minute.

Senator PERCY. No more than 1 minute.

Mr. BUNNELL. Yes, sir.

Senator PERCY. Now, if it took you 10 or 15 minutes to do this, would that have deterred you somewhat?

Mr. BUNNELL. If an auto thief had to spend that amount of time in a car, I would say it would deter auto theft greatly, because chances of him getting caught in the car are very great compared to the fact most of your auto theft takes place in shopping centers, bars, bowling centers, things of this nature.

Senator PERCY. If you walk up to a car in a parking lot of a super market, what would you do to insure that while you were in that car, someone would not come back and claim the car or see you in it and call for help? What surveillance would you make of the area?

Mr. BUNNELL. They would first drive around the parking lot of the shopping center and look and see first that there were any law enforcement agencies out. Then a man would be posted just up the aisle from the car, of course, to watch, from the time that the cars—if the car is locked, to gain entry, to have the car moved, there is less than 2 minutes involved in the whole operation.

Senator PERCY. Other than showing Carnine's thieves how to defeat the vehicle security systems, did you assist them in other ways?

Mr. BUNNELL. Yes, sir, actually from time to time I would drop the thieves off to steal these automobiles.

Senator PERCY. What kind of neighborhood would you concentrate on?

Mr. BUNNELL. Things like shopping centers, bowling alleys, bars, stuff of that nature.

Senator PERCY. Theft in inner-city areas, lower income areas is relatively high?

Mr. BUNNELL. Yes, sir, it is.

Senator PERCY. Did you concentrate in these areas or did you go into more affluent communities?

Mr. BUNNELL. We concentrated in those areas, sir.

Senator PERCY. Let's talk about Carnine's chop shop in Reading, Ohio. When Carnine moved his chop shop there, how much was he making at that time?

Mr. BUNNELL. That garage was open for a 6-month period of time and I estimated that Larry made somewhere around \$75,000.

Senator PERCY. How could he make that much?

Mr. BUNNELL. Well, we had combined the chop shop with the legal garage, and we was using the stolen parts to repair customer cars.

Senator PERCY. Would you give a customer a break on parts because they came to you a little cheaper?

Mr. BUNNELL. No, sir, we didn't. He was charged full price.

Senator PERCY. Charged the full price. Was Carnine selective about the cars that he and his thieves stole?

Mr. BUNNELL. Yes, sir, every car that we received was ordered. Like we would call him in the morning and we could have the car that afternoon and it would be the particular type we had ordered.

Senator PERCY. What would it cost a customer, for instance, if Carnine installed an entire front end?

Mr. BUNNELL. It would cost anywhere from \$2,000 to \$3,000, according to the type of automobile he was working on.

Senator PERCY. Now that would be the same price, the going rate, as at legitimate repair shops?

Mr. BUNNELL. Yes, sir.

Senator PERCY. What advantages, then could Carnine offer, would he be able to get the parts faster?

Mr. BUNNELL. Yes, sir, they would be a 1-day service there. If we had to have ordered them from the manufacturer, it could have been weeks, maybe months before we did get the parts, and then usually, being an experienced body man, the parts are normally damaged through shipment from the dealer.

Senator PERCY. In other words, a normal repair shop will stock parts that are standard parts?

Mr. BUNNELL. Yes, sir.

Senator PERCY. If you happen to destroy a part in an accident that they had in stock, you could get fairly rapid service. But, say a front end, this particular color, this particular model, they can't possibly stock those in repair shops. They have to order those from the factory. And it takes, as you say, weeks and sometimes even months. A thief can go out and steal another car just like the damaged one and much faster?

Mr. BUNNELL. Yes, sir.

Senator PERCY. Did Carnine ever pay more for a part than the conventional price of repair body shop cost?

Mr. BUNNELL. That would be for parts only, there is a labor bill on top of that. Also due to the fact at the price Larry was getting a car for, and the money he already had involved in having the car brought to him, and the price of chopping it up, it was no greater than \$400 to \$600, according to the type.

Senator PERCY. You mentioned that parts that came from the manufacturer were sometimes damaged. How frequently was that and why would brandnew parts received directly from the manufacturers be damaged?

Mr. BUNNELL. Well, it was just rough handling is what it was.

Senator PERCY. You mean in transit?

Mr. BUNNELL. Yes, sir.

Senator PERCY. So parts wouldn't be packed adequately. On the other hand, you know the part you are going to get from a chop shop will be in good shape?

Mr. BUNNELL. Right.

Senator PERCY. In fact, it's even been pilot tested; it's been run a few miles at least?

Mr. BUNNELL. Yes; the way they operate body shops, if you get a part in, the body man has to repair the new part if he puts it on there and is damaged in any way. The body man loses his time here because he doesn't get paid for repairing this particular part, and the dealer does not make any kind of adjustment on the parts.

Senator PERCY. A final question in this area, and then Senator Nunn might want to chat with you about chop shop economics a bit. How efficient, in your judgment, was this process? If an order was given to a thief, say, in the morning, how long would it take them to get the car delivered to you in the garage? Then, how long would it take you to chop it up so the parts would be ready for installation in another car?

Mr. BUNNELL. We called the thieves in the morning. We would have the parts that afternoon. The car would be chopped up that evening

after we closed up the shop, and would be ready to install on the car the next morning.

Senator PERCY. These thieves were given the make, model number, the year, and the color?

Mr. BUNNELL. Yes, sir.

Senator PERCY. Four criteria have to be met. Did they have an inventory in their mind, or card catalog of where a car was located?

Mr. BUNNELL. We weren't actually always able to obtain the correct color of the car. Being an auto body man there was no problem changing the color of the part.

Senator PERCY. Thank you.

Chairman NUNN. Thank you very much, Senator Percy. I am sorry I am late. I unexpectedly am to have a bill on the floor. I was notified late yesterday afternoon that it was coming up at 11 o'clock today. I must handle that legislation. I will be here until I am called on that.

I am caught up, I think, with your testimony. You do have a fascinating story to tell. I want to thank you on behalf of the committee for appearing here and contributing to what I think is an excellent series of hearings led by Senator Percy on the overall chop shop operations, and more importantly, what can be done about them in terms of legislative remedies. I would like to ask you a few questions about the economics of chop shops so that we can gauge the scope of what we are talking about.

Why were Carnine's chop shops so successful in economic terms?

Mr. BUNNELL. For one point, we always moved to avoid any suspicion in one particular neighborhood, and also we provided a 1-day service for automotive parts places and dealers around town and we supplied them at a substantially lower price than what they could obtain these parts through the dealer for.

Chairman NUNN. Did you also provide quicker service, was it lower price and quicker service; is that the combination?

Mr. BUNNELL. Yes, sir.

Chairman NUNN. Did the purchasers in most cases, or in many cases, know you were stealing the parts?

Mr. BUNNELL. There was never no questions asked, sir.

Chairman NUNN. Generally, when you have something that is at an abnormally low price, wouldn't a reasonable person assume there was something wrong with the deal?

Mr. BUNNELL. Yes, sir, especially someone that had been connected with cars would definitely know.

Chairman NUNN. Then it was more or less turning your head the other way and not asking tough questions?

Mr. BUNNELL. Yes, sir.

Chairman NUNN. You mentioned that Carnine started retagging cars. How did Carnine run his retagging operation?

Mr. BUNNELL. We would obtain wrecked cars through a salvage dealer in Latonia Springs, Ky. We would take them back to Ohio and have the cars inspected at authorized dealerships. You had to do that to obtain an Ohio title. And then the cars could be taken to the garage and VIN numbers removed. The thieves would be called and the car would be ordered. When the car would come, we would simply remove the VIN numbers off of the wrecked car and put them on the other car.

Chairman NUNN. Where do you buy these wrecked cars?

Mr. BUNNELL. From a salvage yard in Latonia Springs, Ky.

Chairman NUNN. Are those salvage yards directly connected with insurance companies or are they independent operations?

Mr. BUNNELL. Yes, they are connected with the insurance companies.

Chairman NUNN. Do the salvage yards buy most of their salvage automobiles from insurance companies?

Mr. BUNNELL. Yes, sir.

Chairman NUNN. Did the dealer normally know the cars you and Carmine bought from him were going to be retagged? In other words, did they have any way of knowing?

Mr. BUNNELL. Sir, the cars we were buying, they were in such bad shape and were tore up so bad, there was no other thing the car could actually be used for. There was no parts on it that could really be sold.

Senator PERCY. So a salvage dealer selling a car that is totally wrecked would have to know, according to your estimation, that you were really buying it for an illegitimate or illegal purpose?

Mr. BUNNELL. Yes, sir.

Chairman NUNN. Were there many cars in this condition or were there always some parts that were not damaged so that someone could reasonably say that they wanted this part or that part?

Mr. BUNNELL. Yes, sir, you could buy parts that were hit like either in the rear or front, but other parts would be salable and good. Those cars usually went to junkyards.

Chairman NUNN. Were most of the cars you bought for retagging, totally wrecked with no useful parts or were they somewhere in between?

Mr. BUNNELL. They were completely wrecked, beyond repair.

Chairman NUNN. What would you pay for those?

Mr. BUNNELL. We paid somewhere in the neighborhood of a thousand dollars apiece.

Chairman NUNN. \$1,000 for a car that had no useful part?

Mr. BUNNELL. Other than the serial plates and title.

Chairman NUNN. Would the salvage yard dealer get all of the money?

Mr. BUNNELL. Yes, sir, he would.

Chairman NUNN. How would the salvage yard dealer normally pay the insurance company? Had he already purchased the car from the insurance company?

Mr. BUNNELL. Yes, sir. He owns and operates the place all by himself.

Chairman NUNN. So the insurance company simply sells to him, he sells to you.

Mr. BUNNELL. Yes, sir. I think he buys them at a 10 percent cost.

Chairman NUNN. Ten percent of what?

Mr. BUNNELL. Of the initial balance of the car cost.

Chairman NUNN. Let's say the car you bought for a thousand dollars, would you know in most cases what the salvage yard dealer had paid the insurance company for that car?

Mr. BUNNELL. No, sir, not really, but he would tell you if you asked.

Chairman NUNN. What would be your estimate based on your experience, in most cases?

MR. BUNNELL. Well, we give a thousand dollars for it, and if he was paying a 10 percent, he would be obtaining the cars at about a hundred dollars cost, and then again it's according to the damage to the automobile.

Chairman NUNN. Ten percent of a \$6,000 car, if you are talking about the original price, would be \$600, wouldn't it?

MR. BUNNELL. Yes, sir, right.

Chairman NUNN. So they would be paying somewhere around \$400, \$500, \$600, \$700 for it, and selling it for \$1,000?

MR. BUNNELL. Yes, sir, somewhere in that neighborhood.

Chairman NUNN. Would there be any reason for a salvage yard dealer, if everything were perfectly legal, to buy an automobile that had total damaged parts and nothing but twisted sheet metal, to pay \$400, \$500, \$600 for it?

MR. BUNNELL. No, sir, I can't see any reason why he would want a car like that.

Chairman NUNN. What would a wrecked car with no real useful parts be worth as scrap iron or something of that nature? What would the best use be for a wrecked automobile with no useful parts?

MR. BUNNELL. I would say somewhere around \$100. I think, you can get for a junk car that is no good for use of anything.

Chairman NUNN. If an insurance company is selling a total junk car for \$400 or \$500—if that is not the range they are paying for it—I don't want to lead you into that. What are they paying for them?

MR. BUNNELL. They are paying the 10 percent.

Chairman NUNN. Of the original list value?

MR. BUNNELL. Of the cost.

Chairman NUNN. If the insurance companies are getting \$300, \$400, \$500 for a car that you say is worth only a hundred dollars, should they themselves be put on notice that there is something wrong with this?

MR. BUNNELL. They have sustained this loss. All they are interested in really is getting rid of the car and getting as much money out of the car as they can.

Chairman NUNN. I understand that. I am just wondering if people along the line—not suggesting they are committing any kind of illegal transaction themselves—should be put on notice because of the pure economics of it that there is something going on that is not legal? Should insurance companies be put on notice when they have a car that is absolutely worthless, except for scrap iron, and somebody is paying them \$400 or \$500?

MR. BUNNELL. I think the title should be taken up and out of circulation.

Senator PERCY. That would be a simple job on a computer and would make the wreck worthless.

Chairman NUNN. If there wasn't any title involved, it wouldn't be worth anything but scrap iron.

Senator PERCY. \$100 worth.

Chairman NUNN. Are these States that have laws like that you operated in, do you know of any, or the States you operated in didn't do that obviously.

MR. BUNNELL. Would you repeat that, sir?

Chairman NUNN. Are there any States that refuse to let a totally destroyed car retain the title or were there any State laws where you dealt that really would take the title up?

Mr. BUNNELL. I was never involved in any, sir, but Tennessee does upon a car that is completely tore up and damaged beyond repair, they do take up the titles and they remove the VIN plates off the car.

Chairman NUNN. How do you know that Tennessee does?

Mr. BUNNELL. I was employed at one time by Ronnie and Barb Cooper of the Vette shop in Halls, outside of Knoxville, Tenn.

Chairman NUNN. When they do that, does this have any effect on this kind of retagging operation?

Mr. BUNNELL. Yes, it does, because the car has to go through a complete investigation. You have to have receipts for every part that you have put on the car. They have pictures before and they take them after the car and a man on the spot makes up a serial tag and places it on the car.

Chairman NUNN. What is the effect on stolen automobile traffic in Tennessee of this, do you know? You have been in the business, what is the reputation of Tennessee?

Mr. BUNNELL. A lot of cars go to Tennessee but it's out-of-State traffic and they take them from Tennessee out of State.

Chairman NUNN. So it does have an effect.

Mr. BUNNELL. Yes.

Chairman NUNN. After a car has been stolen and chopped, which parts were sold?

Mr. BUNNELL. We sold parts, like the the doghouse and the doors, the deck lid, rear bumper, tires and wheels.

Chairman NUNN. Maybe you already identified—what do you call the doghouse?

Senator PERCY. What is a doghouse?

Mr. BUNNELL. A doghouse consists of two front fenders, hood, radiator support, radiator, wire harness and the front bumper.

Chairman NUNN. It includes several components parts.

Mr. BUNNELL. Yes, it is one piece.

Chairman NUNN. Where do you get the word "doghouse"?

Mr. BUNNELL. That is just a term used in body shops.

Chairman NUNN. It's just what you call it. Did the engines and transmissions have vehicle identification numbers?

Mr. BUNNELL. Yes, they did, but we meet that by either completely removing the numbers from it or restamping the VIN number back on it.

Chairman NUNN. So you sold those, too?

Mr. BUNNELL. Yes, we did.

Chairman NUNN. You didn't throw away engines and transmissions?

Mr. BUNNELL. No, sir.

Chairman NUNN. Could you eliminate the VIN altogether?

Mr. BUNNELL. Yes, we could.

Chairman NUNN. How?

Mr. BUNNELL. By taking on the block of the motor where the number is engraved, we take and actually grind the number down and then refill it with a filler rod with an arc welder and grind it back down

smooth. The filler rod is soft, which enabled us to restamp the block. As far as the transmission, if you check, the manufacturer very seldom puts numbers on transmissions. If they do, it's no more problem than just taking a piece of a hot iron and running across the numbers and the transmissions are made out of aluminum.

Senator PERCY. May I ask, how deep did you have to grind so they couldn't bring the impression back up?

Mr. BUNNELL. All you had to do was grind a little groove in the block because you can turn the welder up to a high electrical voltage and actually burn into the block. It was actually making the weld part of the block.

Chairman NUNN. Couldn't somebody examine it and tell the number had been removed?

Mr. BUNNELL. Well, I guess they could tell it had been removed, but I can't see how they could prove that it actually had been.

Chairman NUNN. So somebody might be able to look at that engine or transmission if you had taken a number off of it and know that it had been removed but the question of proof would be more difficult, is that what you are saying?

Mr. BUNNELL. That's right.

Chairman NUNN. You are saying engine and transmission VIN's didn't deter you in your operations then?

Mr. BUNNELL. That's right.

Chairman NUNN. If other component parts had numbers on them, would that make any difference in your operation?

Mr. BUNNELL. Yes; it would, it definitely would. I don't think I ever would have gotten started in the business in the first place if VIN numbers had been placed on any crash parts such as hoods.

Chairman NUNN. What is the point if you say the engine VIN, transmission VIN didn't deter you, but if they had it on other parts it would deter you? What is the distinction?

Mr. BUNNELL. In order to change these numbers, first we have to heat the metal. Sheet metal is real light and actually flimsy. When you apply heat to it, it shrinks, it expands, it will actually warp beyond repair. So you can't heat these numbers to change them. If you went to the point where you did actually remove the numbers from the car and tried to replace it with others, then it will be noticeable the job had been done.

Chairman NUNN. What you are saying is, numbers on the other parts that are not now numbered would be more effective in deterring automobile theft and chopping, and so forth, than the present system of numbering transmissions and engines, is that right?

Mr. BUNNELL. Right.

Chairman NUNN. And it's because transmissions and engines are more sturdy and thicker material and it's easier to renumber those than it would be the sheet metal.

Mr. BUNNELL. Yes. Take Ford, for instance, Ford does not number their motors unless they started doing so in the last 2 years. General Motors, they do. But you figure the sheet metal, that's the most expensive part of the automobile and the part that's most likely to be sold. If these parts had numbers, you couldn't leave them sit around

because if you did so, any law enforcement agency could walk into your shop or wherever you was, look at the part and check it right then because the number would be on it.

Chairman NUNN. But if you were going to steal it, you would have to deal with the numbers immediately is what you are saying?

Mr. BUNNELL. Yes, sir.

Chairman NUNN. In your operation, would the car have to be inspected before you obtained an Ohio tag?

Mr. BUNNELL. Yes, but it was no problem to have them inspected because in Cincinnati—I am sure it is the same all through Ohio—it was just the new car dealerships who inspect the cars. It involved no more than having the salesman come out, look at the VIN number and check it against the title, see if the numbers match. And these inspections, they are supposed to be cars roadworthy for Ohio.

Chairman NUNN. What are they supposed to be?

Mr. BUNNELL. Roadworthy, ready to drive.

Chairman NUNN. What are they supposed to inspect? Are they supposed to go out on the road and drive them?

Mr. BUNNELL. Yes.

Chairman NUNN. And you didn't have any trouble passing inspection?

Mr. BUNNELL. No, sir.

Chairman NUNN. Who gave you that inspection certificate; was that a salesman or mechanic or who?

Mr. BUNNELL. It was just a salesman.

Chairman NUNN. Did he look at—what would you call it at that stage, would you call it a doghouse, then?

Mr. BUNNELL. I just call it junk, really.

Chairman NUNN. Did he look at it before he gave you the certificate?

Mr. BUNNELL. Yes; he did compare the serial numbers against the title, which they did match.

Chairman NUNN. He actually saw it?

Mr. BUNNELL. Yes; he couldn't help it, it was sticking out there like a sore thumb.

Chairman NUNN. Did you give him any extra money, tip him, say thank you, what did you do for him?

Mr. BUNNELL. It was a fee of \$5 for the inspection.

Chairman NUNN. What town was this in Ohio?

Mr. BUNNELL. This would have been Reading.

Chairman NUNN. Do you remember the name of the dealership?

Mr. BUNNELL. Stilpass Lincoln Mercury.

Chairman NUNN. How do you spell it?

Mr. BUNNELL. Stilpass Lincoln Mercury.

Chairman NUNN. Do you know the name of the man who did it?

Mr. BUNNELL. No, sir.

Chairman NUNN. Did you deal with them often?

Mr. BUNNELL. We dealt with various dealers in town and out of town, too.

Chairman NUNN. It wasn't your pattern to just go to this particular dealership?

Mr. BUNNELL. No, sir.

Chairman NUNN. Is this typical, is this the way it works?

Mr. BUNNELL. It is typical around the Greater Cincinnati area, sir.

Chairman NUNN. Then this wasn't unusual?

Mr. BUNNELL. No, sir, it wasn't.

Chairman NUNN. Did you often go for inspections with cars in this bad a shape or was this the most extreme example?

Mr. BUNNELL. We actually bought one one time, all the sheet metal was there, but the car was a complete loss due to fire. Every part on it was all warped up, beyond repair. We couldn't use it. There was nothing there, just the metal, rusty metal.

Chairman NUNN. Did you take that one to an automobile dealer?

Mr. BUNNELL. Yes.

Chairman NUNN. But you are saying they don't really inspect them?

Mr. BUNNELL. That's right, sir.

At one particular time I remember Carnine and myself, we had taken a 1976 Torino Elite up by this new car dealer in Reading, Ohio, and which this car was no more than a frame and a hull. It had no front end, no motor, no transmission, no doors, no interior or rear number, anything. All it had was two rear tires and we were holding the front end up with a wrecker. There was nothing but a shell sitting there.

They came up and gave us papers just like we drove the car up there on its own, which we took those to the courthouse and obtained a title.

Chairman NUNN. How did you get the car there, on a wrecker?

Mr. BUNNELL. Yes.

Chairman NUNN. You brought the car up there on a wrecker, it had no motor, no transmission, no door, no seats?

Mr. BUNNELL. No front end.

Chairman NUNN. How about tires?

Mr. BUNNELL. There was two rear tires on it, which we put on it.

Chairman NUNN. Two rear tires, but no front tires?

Mr. BUNNELL. Yes, we did.

Chairman NUNN. Did you have any trouble getting it inspected?

Mr. BUNNELL. No, sir.

Chairman NUNN. When and where was that?

Mr. BUNNELL. We had that one inspected at a Chevrolet dealer in Loveland, Ohio.

Chairman NUNN. In what town?

Mr. BUNNELL. Loveland, Ohio. It's a suburb of Cincinnati.

Chairman NUNN. Do you remember the name of that dealership?

Mr. BUNNELL. No, sir, I don't recall right offhand.

Chairman NUNN. A Chevrolet dealership?

Mr. BUNNELL. Yes, sir.

Chairman NUNN. How do you spell the name of that town?

Mr. BUNNELL. L-o-v-e-l-a-n-d.

Chairman NUNN. How much would these retagged cars bring?

Mr. BUNNELL. They would bring the regular selling amount, like the more expensive cars, we would get between \$7,000 and \$8,000 for those, just what the dealer was getting when we run it through the classified ads or newspaper.

Chairman NUNN. How much money were you making from this Carnine operation, you personally, by the time you quit in 1976?

Mr. BUNNELL. I was making somewhere around \$7,000 a week.

Chairman NUNN. Per week?

Mr. BUNNELL. Yes, sir.

Chairman NUNN. How long did that go on? Was that about 1 year, 6 months?

Mr. BUNNELL. It went on for about 1 year, that amount of money did.

Chairman NUNN. What would you have made in that whole year?

Senator PERCY. \$350,000. I'll compute it for you.

Mr. BUNNELL. Thank you, sir.

Chairman NUNN. In other words, you would have averaged \$7,000 a week?

Mr. BUNNELL. Yes, sir.

Chairman NUNN. You would have made over \$300,000 in a year?

Mr. BUNNELL. Yes, sir, somewhere around there.

Chairman NUNN. What did you do with all the money?

Mr. BUNNELL. I just learned a lot of bad habits from Larry. I liked to get out, party, drink.

Chairman NUNN. Larry is——

Mr. BUNNELL. Larry Carnine.

Senator PERCY. He was his senior partner, and was making a million dollars a year at one time.

Chairman NUNN. You already established that.

So you got out and partied and just spent the money?

Mr. BUNNELL. Yes, sir.

Chairman NUNN. You didn't save any of it, invest any of it?

Mr. BUNNELL. No, sir, I didn't. At one particular point I was keeping up several women at one time. That was completely supporting them.

Chairman NUNN. You were supporting several women at one time?

Mr. BUNNELL. Yes, sir.

Chairman NUNN. What do you mean by "several"?

Mr. BUNNELL. I mean six or seven women at one particular point in time.

Chairman NUNN. In different places?

Mr. BUNNELL. Yes, sir.

Chairman NUNN. So you recirculated all the money that you got?

Mr. BUNNELL. Yes, sir, I did.

Chairman NUNN. Did you have a bank account?

Mr. BUNNELL. No, sir, I didn't. I was afraid if I started running sums of money like I was making through the bank, that there would be a record kept of it which Larry advised me really wasn't smart, because it could be checked on if the question ever arose.

Chairman NUNN. So you dealt in cash?

Mr. BUNNELL. Yes, sir, I did.

Chairman NUNN. What did you do with the cash; did you ever keep large sums of cash?

Mr. BUNNELL. Yes, sir, I kept it at home under my mattress.

Chairman NUNN. Under your mattress?

Mr. BUNNELL. Yes, sir.

Chairman NUNN. Up under the bed, in the mattress?

Mr. BUNNELL. Between the box spring and the mattress.

Chairman NUNN. Just cash lying there?

Mr. BUNNELL. I had as high as \$22,000 under my mattress.

Senator PERCY. You were married at this time, were you?

Mr. BUNNELL. Yes, I was.

Senator PERCY. How did you manage to——

Chairman NUNN. Senator Percy, I'm not sure that serves a legislative purpose. [Laughter].

Senator PERCY. In what sort of style did you support your wife?

Mr. BUNNELL. She lived very comfortably.

Senator PERCY. So you didn't have a guilty conscience about that, anyway. But did she question you about your activities, did she know about the illegal nature of your activities?

Mr. BUNNELL. She had ideas of what I was doing. As to knowing direct of what I was involved with or what I did, no, sir, she didn't.

Senator PERCY. Are you still married?

Mr. BUNNELL. No, sir, I'm not at this time. I'm divorced but due to the fact I am serving time in the Tennessee State Prison, we discussed it, we felt I could do my time much easier if I didn't have the constant worries of my wife on my mind, although I do have a young son that I do worry about quite frequently.

Senator PERCY. Did you make a settlement when you were divorced so that she doesn't have financial concerns?

Mr. BUNNELL. No, sir, there was no settlement made. She does live with my mother and my son does, too. They are taking care of them.

Senator PERCY. And she's aware of your testimony today?

Mr. BUNNELL. Yes. In fact, we do plan to remarry upon my return home.

Senator PERCY. I will not get further into your personal affairs.

Could I go back, Senator Nunn, to one thing that we missed. People might come in with a very fancy or expensive car to be repaired. Did any customer ever come in and have a car repaired and then, as a result of their relationship with your shop, have his car stolen?

Mr. BUNNELL. Yes; I remember one particular time we had had a \$27,000 Jensen Interceptor in for a paint job.

Senator PERCY. What kind of car?

Mr. BUNNELL. A Jensen Interceptor.

Senator PERCY. It was worth \$27,000?

Mr. BUNNELL. Yes, sir, it was. It belonged to a doctor who lived in Indian Hills, another suburb of Cincinnati, which Chad Majors—Thomas Majors, excuse me, obtained keys from our shop for this automobile and when the doctor picked it up, Chad went there at night and stole the car from the doctor's open garage.

Senator PERCY. You had a duplicate set of keys made?

Mr. BUNNELL. Yes.

Senator PERCY. The doctor came to pick up his car, took it back to his home and you went over and stole it—did you steal it, or did someone else steal it?

Mr. BUNNELL. Thomas Majors did it.

Senator PERCY. He stole it?

Mr. BUNNELL. Yes, sir.

Senator PERCY. He stole the car, and then sold it?

Mr. BUNNELL. Yes, it was.

Senator PERCY. Intact, or was it chopped up?

Mr. BUNNELL. It was sold intact.

Senator PERCY. Sold intact.

I would like to get into how you began cooperating with law enforcement officials. Do you have any other questions on his activities before he was apprehended, Senator NUNN?

Chairman NUNN. I have one other question following up on yours.

When somebody brings their car in for repair and you would get keys copied right there, when they took the car, you would go to the home and steal it, or your associates would; is that right?

Mr. BUNNELL. Yes, sir.

Chairman NUNN. Was this done frequently?

Mr. BUNNELL. Just on a few occasions.

Chairman NUNN. Did you bring the stolen car back to the same garage operation?

Mr. BUNNELL. No, sir, they were usually sold as a whole.

Chairman NUNN. It seems to me it would be a great danger bringing it back.

Mr. BUNNELL. It definitely would.

The doctor came to the garage that next morning when he seen that car was gone. He was raising Cain.

Chairman NUNN. Why did he come back to the garage when he didn't have the car?

Mr. BUNNELL. He was just checking. In fact, he hit it right on the head. He said somebody made keys to his car.

Chairman NUNN. He suspected what had happened?

Mr. BUNNELL. Yes, he did.

Chairman NUNN. Did you talk to him?

Mr. BUNNELL. No, sir, I didn't, I hid from him. I didn't want no involvement in it.

Chairman NUNN. Who actually stole that car?

Mr. BUNNELL. Thomas Majors did.

Chairman NUNN. Was he there?

Mr. BUNNELL. No, sir, not at the time.

Chairman NUNN. So he didn't talk to the doctor?

Mr. BUNNELL. No.

Chairman NUNN. Who talked to the doctor?

Mr. BUNNELL. Larry Carnine.

Chairman NUNN. He knew about what had happened, Carnine did?

Mr. BUNNELL. He kind of calmed the guy down and told him that was just the breaks, there was nothing he could do about it.

Chairman NUNN. He denied it, of course.

Mr. BUNNELL. Oh, yes.

Chairman NUNN. The doctor actually accused you and Carnine of making keys and stealing the car, then?

Mr. BUNNELL. I think he accused Larry.

Senator PERCY. That is a handmade British car, the Jensen Interceptor, isn't it?

Mr. BUNNELL. Yes, it is.

Senator PERCY. I suppose that today it may be worth as high as \$40,000.

Mr. BUNNELL. Yes, sir, it's up around \$40,000.

Senator PERCY. When the car was sold intact, do you know what that car brought?

Mr. BUNNELL. You mean after it was stolen?

Senator PERCY. Yes.

Mr. BUNNELL. No, sir, I don't.

Senator PERCY. You don't know. What do you suppose they tried to move it at, a bargain basement price, \$10,000, \$12,000, \$15,000?

Mr. BUNNELL. It was not sold for nothing like that, probably for \$3,000, or \$4,000.

Senator PERCY. How much?

Mr. BUNNELL. \$3,000 or \$4,000.

Senator PERCY. So you would dump it for \$3,000 or \$4,000 for a quick sale?

Mr. BUNNELL. Yes, sir.

Senator PERCY. Now, what do you suppose the insurance company paid off to the doctor?

Mr. BUNNELL. At that time, for that car, I would say he probably had special insurance for it. In fact, there was not really that many of them.

I would say the insurance company paid off the full \$27,000.

Senator PERCY. He probably was fully insured?

Mr. BUNNELL. Right.

Senator PERCY. So he inquired about the car, but after all, his loss would be covered?

Mr. BUNNELL. Right.

Senator PERCY. I have a few questions on rosette rivets. Could you tell us how you obtained the special rosette rivets. We have had testimony that those rivets are only to be used to secure the public VIN plate and they are not supposed to be available for the public. Is that correct?

Mr. BUNNELL. This is true, sir.

Senator PERCY. Then how did you get them?

Mr. BUNNELL. Larry at one time worked at Fisher Body in Norwood, which he had friends that worked down there. He just confronted one of them about it and got—the place was heavily guarded, but he said, "I will try." Well, the next thing you know, we got a phone call from the garage to come to pick them up, which we purchased the rivets at \$1 apiece.

Senator PERCY. \$1 apiece. How many did Carnine have at any one time? Do you know?

Mr. BUNNELL. I seen a box of 2,000 one time.

Senator PERCY. 2,000? Aren't they kept under guard?

Mr. BUNNELL. Yes, sir. They are. I really couldn't understand, really, if they was tightly guarded how this guy could even obtain access to them.

Senator PERCY. They were just carried out on the person probably as they left the plant.

Mr. BUNNELL. Yes, sir.

Senator PERCY. So there is no real security then?

Mr. BUNNELL. Right.

Senator PERCY. Just one question, then, on the dealers.

Should dealers be allowed to inspect rebuilt cars or do you think that this, based on your own experience, should be the State's responsibility?

Mr. BUNNELL. It should be left up to the State.

Senator PERCY. And leaving it in the dealers' hands, from your standpoint, is simply not wise?

Mr. BUNNELL. Right.

Senator PERCY. There is no real incentive for the dealer to do a thorough inspection job. That is not their reason for existing, really, they are just carrying out a delegated responsibility. It might just as well not be carried out at all, according to your testimony.

Mr. BUNNELL. Especially cars should be left strictly for the local law enforcement agencies, somebody that has knowledge of the cars, that you are taking there, who knows where to look and what to notice, if it has been messed with, and if that were done so, that would surely cut down on some of the retagging.

Senator PERCY. You stated that because of your arrest you began to cooperate with the authorities. Exactly how did you cooperate?

Mr. BUNNELL. I contacted Special Agent Garry Gardner, at the FBI Office in Cincinnati and at which time me and him, we had a full discussion on the matter and I actually took them to rivers and stuff of this nature where parts had been discarded, that that could be verified as being stolen.

Senator PERCY. You were arrested for possession of a stolen car that you had purchased. What went through your mind when you finally decided to cooperate? It was your first offense, wasn't it?

Mr. BUNNELL. Right.

Senator PERCY. Did you think you would really be committed to prison on a first offense?

Mr. BUNNELL. No, sir. I didn't think I would go to prison, but, like I say, it was my first time and I had contact with Spangler, I told him, I said, "Look, you told me this car was all right." I said, "I bought the car from you in good faith, but now I find out you have dumped something bad in my lap." I said, "Look, you need to go down there and you need to explain to those people and get this stuff off of me," and I said, "If you don't, I am going to dump it all on your-all's lap."

Senator PERCY. So you felt that they probably would get this story anyway, and that you might as well cooperate with them?

Mr. BUNNELL. No, sir. In fact, it started out, I was arrested for obstructing justice.

Senator PERCY. That was the charge against you?

Mr. BUNNELL. Yes, sir.

Senator PERCY. Let's talk about containing this problem.

What could be done to contain the problem?

Mr. BUNNELL. Build the cars where, like it was mentioned earlier, where it would take the thief a minimum of 10 minutes to steal it and also manufacture the doors where they would be hard to gain entry because the entry is the—that is the main part of really stealing a car because the ignition switches aren't really that hard the way they are fixed now. But I feel that if the whole ignition switch was made out of a case-hardened steel alloy, that it would be much harder to defeat the locking system because at this point the only case-hardened steel part of the ignition lock itself is a front cover, which is just set into no more than just cast iron which when hit, breaks apart.

Senator PERCY. How important are VIN numbers? How many parts do you think should be numbered? What parts should be numbered? What do you think the cost of numbering should be?

Mr. BUNNELL. From the amounts of money that insurance companies are paying off on these stolen vehicles and stuff like that, that have been stolen, I think the amount of money that it would cost to do this would be insignificant.

Senator PERCY. How many parts do you think should be numbered?

Mr. BUNNELL. All crash parts, the doors, front fenders, hoods, stuff of this nature, all removable parts.

Senator PERCY. Rear fenders?

Mr. BUNNELL. It is such a big unit, in fact, they do have a number, I think, stamped in them already.

Senator PERCY. Certainly the doors?

Mr. BUNNELL. Yes, sir.

Senator PERCY. Hoods?

Mr. BUNNELL. The hoods. And the fenders.

Senator PERCY. Can you describe to us how increased VIN marking would affect salvage shops and auto repair shops in dealing with stolen parts?

Mr. BUNNELL. For one, the auto thief himself, the time involved in changing these numbers and getting them ready for even a resale, there would be so much time involved that it would not be worth their time in the first place to actually steal the cars, and then if they didn't change the cars they would have trouble selling them because the numbered parts was on them and no dealer would want those parts sitting around.

Senator PERCY. We have had estimates that it would cost about \$5 for the manufacturer to number the parts that you have mentioned.

In your judgment, is that a fair approximation of the estimated cost?

Mr. BUNNELL. Yes, sir. I tried to obtain access to the metal shop at the prison where I could actually make a part. I was wanting to bring it with me and where you could look at it. But really, in order to gain entry to the car right now, it is very simple, but if they would take and just take and put a small cover on the inside of the door lock, with a hole in it to where the rod button could come out of it, they could not go in through the outside of the door to unlock it because when they went down after the lever it would be guarded from this shield.

But they could still gain entry through the button on top of the door, but I don't know, sir, if you are familiar with Corvettes, but they don't have a button. They have a little turn knob and it is down on the side of the door panel.

It cannot be reached with a coat hanger, you can't reach it with your arm. It twists and don't pull.

Senator PERCY. When a car was brought in by the thieves that worked with you, what were the first things that you got rid of? How did you dispose of numbered parts—the engine, for instance?

Mr. BUNNELL. The numbers were automatically discarded. In other words, we cut the cowl out of the car when we stripped it, and the car was dumped in a river, down a railroad track, or in a field, and along with things like the rear clips and stuff of this nature. Parts other than that, they were just stacked over on the side and they were delivered the next day.

Senator PERCY. And personal belongings that were in the car?

Senator BUNNELL. They were either burned or just dropped along-side of the road somewhere.

Senator PERCY. If all salvaged vehicles were sold as junk, would this reduce the ability of thieves to retag vehicles?

Mr. BUNNELL. Yes, sir, it would, because a thief has to obtain a title as well as a serial number to retag the car, where if they were sold as junk, the titles could be taken up. There would be no purpose.

Senator PERCY. If crash parts had been numbered at the time you were trying to decide what to do with your life, would that have deterred you from entering the chop-shop business?

Mr. BUNNELL. Yes, sir. I think it would have been definitely a turning point from that business or to that view of it, anyway; the aspect of stealing and retagging.

Senator PERCY. Put yourself in the role of manufacturers now. What do you think they can do to help the consumer from becoming a car theft victim?

Mr. BUNNELL. I can say just a few little things that I mentioned, just things such as removing the door lock off the top of the door, putting it down on the side, where they can't be got hold of.

I think the manufacturers, they just don't really want to spend the money, but it is my opinion that the manufacturers can install enough antitheft parts in a door and, like I say, redo the ignition switch to make it so hard on a thief or make it take him so long to get the car started that it would almost, the auto theft would almost fall back to nothing.

Senator PERCY. A final question: Do you feel that through computer control some sort of a universal depository for all titles can be developed? Would that dry up the retagging business?

Mr. BUNNELL. Yes, sir. It would. It would dry it up substantially, because, like I say, they have to be able to obtain a title, and if the adjustor that was looking at the car, evaluating the car and come up with the conclusion that the car is a total loss and paid its owner the value of the car, then the car's title should be taken up. It should never be put back into circulation, because the car has been considered as a total loss, and if it isn't then there is no reason for the car to be repaid, the adjustors is going to pay for it.

Senator PERCY. Just a personal question. You have indicated that you are serving time. Do you know when you will be out, and what do you intend to do when you get out?

Mr. BUNNELL. I should be out in 1981, sir.

Senator PERCY. 1981?

Mr. BUNNELL. Yes, sir.

Senator PERCY. And you intend to remarry your wife?

Mr. BUNNELL. Yes, sir.

Senator PERCY. And after the kind of lifestyle that you had, what do you intend to do upon release?

Mr. BUNNELL. I have every intention of attending a beauty college that is not too far from my mother's house and become a hair stylist.

Senator PERCY. What will you be taking in college?

Mr. BUNNELL. Hair styling. It is a beauty college is what it is.

Senator PERCY. I see. You intend to go into that business and give up the automotive field entirely?

Mr. BUNNELL. Yes, sir. I do.

Senator PERCY. Do you feel that if you went back in the automotive field, that you might be tempted to again venture into the chop shops, or do you just want to stay totally out of the automotive field?

Mr. BUNNELL. I just want to stay totally out of it, sir. I have had enough of it.

Senator PERCY. You have had enough.

Have you had enough of the high style of living, too? Did you really find any real, lasting satisfaction in that?

Mr. BUNNELL. No, sir; I didn't. I have had a lot of time to think about my life and what I intend to do with it and stuff. I feel, you know, that I will be happy just to earn a substantial amount of money to live on.

Senator PERCY. You are how old?

Mr. BUNNELL. I am 27 years old, sir.

Senator PERCY. Good luck to you.

Again, along with Senator Nunn, we thank you very, very much indeed for your testimony today. It has not been easy for you to testify, but it has been extraordinarily helpful to us and we will keep you up to date on how we move along.

Chairman NUNN. Thank you very much for appearing.

Mr. BERK. Mr. Chairman, at this time I would ask that Mr. Bunnell's arrest and conviction records and the records of his former criminal associates be entered into the record. They have been properly identified. I would also ask that a copy of the State of Ohio's titling law for out-of-State vehicles and a copy of the State of Kentucky's titling law for salvages be entered in the record. These exhibits will be entered as a bulk exhibit.

[The documents referred to were marked "Exhibit Nos. 26A through 26L" for reference and may be found in the files of the subcommittee.]

Senator PERCY. Thank you very much.

We appreciate your appearance.

Our last witness this morning is Sgt. Robert Pope, coordinator of the organized auto theft activities division within the Cincinnati Police Department.

Chairman NUNN. Senator Percy, I have got to go to the floor at 11 o'clock. So I thank you again very much for an outstanding hearing and I thank you and all of the minority staff for having helped to put this together. I believe good results are going to flow out of this.

I have read the testimony of our next witness and appreciate his being here. It is very helpful to us.

[At this point Senator Nunn left the hearing room.]

Senator PERCY. I think Sergeant Pope, we might have you sworn in.

Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Sergeant POPE. I do.

**TESTIMONY OF SGT. ROBERT A. POPE, COORDINATOR, ORGANIZED  
AUTO THEFT ACTIVITIES, CINCINNATI POLICE DEPARTMENT**

Senator PERCY. Fine, thank you. Please be seated.

Sergeant Pope, we welcome you very much indeed this morning. Could you identify yourself, then read your statement, please.

Sergeant POPE. Mr. Chairman, thank you for permitting me to appear today.

My name is Sgt. Robert A. Pope. I am the coordinator of organized auto theft activities within the Cincinnati Police Department. My duties include coordinating the auto theft investigations for Cincinnati's five different police districts, spotting trends in auto theft, and maintaining a liaison with all outside agencies concerning auto theft investigation and prevention.

I was born and raised in Cincinnati and joined the police department in 1964 when I was 21 years old. In 1971, I was assigned to the department's first auto theft detail and served there until promoted to sergeant in 1973. I was appointed to my present position in December of 1978, after additional experience in uniform fieldwork and as commander of a tactical unit.

I have been a member of the International Association of Auto Theft Investigators since 1972, and I am currently regional director for the State of Ohio and West Virginia. As an instructor on auto theft certified by the State of Ohio, I have taught at the Hamilton County Regional Police Academy and the State of Ohio Police Academy in London, Ohio.

I have participated in numerous seminars on auto theft held under the auspices of the International Association of Auto Theft Investigators, the National Automobile Theft Bureau, and others.

I have also been a speaker at the National Workshop on Auto Theft Prevention given by the New York State Senate Transportation Committee on chop-shop activities.

During my 15 years in the police department, I have been involved in hundreds of auto theft investigations and have, on several occasions, been qualified as an expert witness on auto theft and chop-shop activities by the U.S. District Court, Eastern District of Kentucky, in Lexington.

My purpose in appearing today is twofold: First, to describe the auto theft investigation involving Mr. Bunnell; and second, to provide this subcommittee with an experienced law enforcement official's perspective on auto theft and chop-shop activities in the tristate area centered at Cincinnati, Ohio.

I met Wilfred Bunnell for the first time in the spring of 1977 after he was brought to my attention by an FBI agent.

Mr. Bunnell had contacted the Cincinnati FBI about what he described as a large theft ring. During several taped interviews with Mr. Bunnell, he went into the details of this operation. He described how the vehicles were stolen and then cut apart and the parts sold to various dealers in the area.

He also spoke candidly about how the ring disposed of parts stamped with the manufacturer's vehicle identification numbers—cowl sections, engines, and transmissions.

Senator PERRY. Could you clarify that? You say Mr. Bunnell contacted the Cincinnati FBI about what he described as a large theft ring.

As I understand it, he was arrested—

Sergeant POPE. He was arrested by a suburban police department in Cincinnati. He tried to talk to them and they had no one that worked auto theft or knew anything about the scope of the problem and at the time neither did the Cincinnati Police Department. He therefore went to the FBI.

Senator PERCY. So he contacted the FBI?

Sergeant POPE. Yes, sir, he contacted them.

Senator PERCY. Directly?

Sergeant POPE. Yes.

Senator PERCY. Why did he do that?

Sergeant POPE. I think he was seeking revenge against other members of the group he was associated with.

One individual had stuck him with a hot car and he wanted——

Senator PERCY. He was angry about that?

Sergeant POPE. Absolutely.

Senator PERCY. OK, fine; thank you.

Sergeant POPE. On the basis of Mr. Bunnell's statements, we began an investigation into this operation. Mr. Bunnell gave detailed accounts of vehicle theft in Hamilton, Butler, and Warren Counties.

Based upon his information, we were able to find and identify stolen parts in salvage yards. We were also led by Mr. Bunnell to the fields, farms, and rivers where the ring had discarded other stolen but marked parts.

Because of Mr. Bunnell's assistance in the ensuing investigation, 9 individuals were indicted on 75 counts of receiving stolen property, theft, and engaging in organized criminal activities by a Hamilton County Grand Jury. I must stress that if the discarded parts which we discovered had not been marked with VIN's, we could not have identified them as stolen merchandise. And, without the help of Mr. Bunnell, we could not have linked these thefts to their perpetrators. In all cases, the information which Mr. Bunnell supplied about parts and vehicles was accurate.

Now, if I may turn my attention to broader considerations of auto theft and chop-shop activities in the Cincinnati area. Present statistics have revealed a disturbing trend. Motor vehicle theft in Cincinnati was up 24 percent for the first 6 months of 1979, compared with the same period in 1978. At the same time, there has been a drop of more than 10 percent in the number of vehicles recovered. In only 2 years, \$2.7 million in motor vehicles have not been recovered. I believe the declining recovery rate is due to the dismantling of vehicles for component parts and the removal of these vehicles from our jurisdiction for resale in other areas. In short, the chop-shop problem in the Cincinnati area continues to worsen.

One of the reasons for this disturbing trend is the sometimes impossible task of identifying the vehicle. When a total wreck is rebuilt with unmarked stolen sheet metal parts, it is virtually impossible to identify. In many instances, those parts which are marked with vehicle identification numbers are merely discarded as they were in Mr. Bunnell's case.

It is extremely easy to bring salvage vehicles across the Ohio River from northern Kentucky into the Cincinnati area. As a result, it is becoming more popular to "wash" Kentucky titles through Ohio and market the stolen product in my home State.

This practice is made easy because of lax inspection procedures when an out-of-State vehicle is titled in Ohio. Even in Ohio when a vehicle is given a salvage title, the Ohio Highway Patrol must inspect the salvage before it can be retitled. However, the vehicle is only

inspected for safety, not identity. In most cases, the vehicle is safe, but it also may be stolen and not legitimately rebuilt.

Another problem is the low priority which vehicle theft receives for prosecution. Even if the thief is prosecuted and found guilty, chances are that he won't have to spend 1 night in jail. In many cases, the thief is back on the streets stealing in a matter of days. After all, it's a very profitable business.

Again, I appreciate your allowing me to appear before you today. I would be happy to try to answer any questions which you may have at this time.

Senator PERCY. Thank you very much. Would you say that the theft ring in which Mr. Bunnell was involved was a relatively large ring?

Sergeant POPE. Large in number of vehicles, but not in people.

Senator PERCY. Are there any other vehicle theft rings in the Cincinnati area approaching the size and sophistication of the one in which Mr. Bunnell was involved?

Sergeant POPE. Yes, sir. There are.

Senator PERCY. Any in operation now?

Sergeant POPE. Yes, sir.

Senator PERCY. Can you estimate their number?

Sergeant POPE. I have got cases on at least 10 right now.

Senator PERCY. Ten in Cincinnati of this scope?

Sergeant POPE. Yes, sir. I don't know how many I don't know about.

Senator PERCY. You indicated that the primary motive behind Mr. Bunnell's choice to cooperate with you was revenge?

Sergeant POPE. I believe it was, yes.

Senator PERCY. In making your case against Carnine's ring, were you able to confiscate any intact stolen vehicles from Carnine or his associates?

Sergeant POPE. Yes; we found some intact and we were able to locate some confidential serial numbers to prove their true identity.

Senator PERCY. So, the only way you obtained a conviction in this case was to discover the confidential VIN's?

Sergeant POPE. That is correct.

Senator PERCY. This was possible only because you had an informer.

Why weren't the confidential VIN's removed, as is done in most other professional rings?

Sergeant POPE. Because I believe they didn't fear law enforcement. There was no one working—

Senator PERCY. This call is from Ambassador Brewster. We are having a terrible time connecting. So I will have to take the call.

[Discussion off the record.]

Senator PERCY. What percent of auto thefts occurring in your jurisdiction would you estimate to be professional?

Sergeant POPE. Probably 30 to 40 percent of the theft reports I see.

Senator PERCY. How does this compare with 1972 when you started investigating auto theft?

Sergeant POPE. At that time there were more car thefts, but we also had more recoveries, as many as 80 percent were recovered in 1972.

Senator PERCY. Again, when you say recovery, do you mean some part or all of the car?

Sergeant POPE. That is an unfortunate fact. We may find the cowl section of the automobile and tell the guy it is his car.

Senator PERCY. Can you give us some idea of the current recovery rate in Cincinnati?

Sergeant POPE. Between 65 and 70 percent.

Senator PERCY. Would you have any idea how many of those cars are returned intact; that is, driveable? Or don't you break that down?

Sergeant POPE. It is not broken down.

Senator PERCY. Why do you think that auto theft is up 24 percent in Cincinnati for the first 6 months of 1979?

Sergeant POPE. Probably the weather conditions have one thing to do with it. We didn't have as bad a winter as we had a year before, the cars were out, or people out. We have more professionals stealing, more insurance frauds, we are seeing cars that are being reported stolen and found torched; big gas guzzler cars.

Senator PERCY. Why is there more insurance fraud now?

Sergeant POPE. Gasoline.

Senator PERCY. Dumping gas guzzlers?

Sergeant POPE. Get rid of the big ones.

Senator PERCY. You mentioned in your statement the ease with which out-of-State motor vehicle titles can be converted into Ohio titles. How many stolen vehicles would you estimate a year are brought into Ohio from out-of-State, especially Kentucky, for retagging?

Sergeant POPE. Thousands.

Senator PERCY. What changes would you like to see in Ohio titling laws? What impact do you think these changes would have upon interstate and intrastate auto theft and chop shop activities?

Sergeant POPE. Inspection should be done by someone who knows what they are doing, they should be trained, training of people, I think it should be done by law enforcement, not by your local Chevrolet dealer or whatever.

Senator PERCY. Could you give examples of what happens when car dealers make inspections?

Sergeant POPE. Mr. Bunnell, I have seen other cases I have worked on where I went to the inspection agency and asked the man who did the inspection, he signed the report, what kind of shape was that car, what did it look like. He said it was on the back of a wrecker, I wasn't sure it was a Buick, I thought it was a Cadillac. All I did was look at the number.

Senator PERCY. Because we have just a few questions left, and we have a series of votes now in a row, I am going to ask counsel to finish the questioning. When you have finished Sergeant, the hearings will be recessed until 9:30 Tuesday morning, when Judge Webster, Director of the FBI, will appear. I want to thank you on behalf of the subcommittee very much indeed for your appearance. Thank you again, Sergeant, very much indeed.

Would you also explain why the doghouse is called the doghouse? We want to put that in the record.

Sergeant POPE. Yes. I know why it is. It is referred to that for the dog, the junkyard dog has a place to sleep. If you take the entire front end of an automobile, it is just a doghouse.

Senator PERCY. Thank you very much.

[At this point Senator Percy left the hearing room.]

Mr. MARKS. Sergeant Pope, if thieves and choppers now discard those motor vehicle parts that are stamped with VIN's, do you think

that the VIN markings on additional parts will make chop shop operations a high risk and less profitable crime?

Sergeant POPE. Yes, I do.

Mr. MARKS. How would VIN markings or additional VIN numbers affect the businessman who might look the other way because he knows that there is no way to prove that he is accepting stolen merchandise?

Sergeant POPE. I believe these people would stop buying stolen parts if the numbers were on them, because the apprehension, if I walk into a body shop now, and they have parts around, I can't prove where they came from. I have no way of identifying them. If I walk in and look at a number on it, I can run it right through the computer, trace it right back.

Mr. MARKS. So VIN marking would dry up the market for these stolen parts. It wouldn't stop thieves from stealing cars, but it would dry up the market?

Sergeant POPE. If you don't have a market, there is no reason to steal.

Mr. MARKS. Have improvements in vehicle security systems had any effect on the ability of thieves to steal a car?

Sergeant POPE. There has been some slowing down of the juveniles with the newer techniques in the ignition systems; some of them can't defuse them as easily as they could do in the early 1970's. Professional theft hasn't slowed down. He can get it any way he can.

Mr. MARKS. So you found in recent years that these improvements have not really deterred the professional?

Sergeant POPE. No, sir. They have not.

Mr. MARKS. If an ignition system were developed that would require professional people to spend a minimum of, say, 5 minutes to defuse, what kind of impact would this have on the vehicle theft problem in the Cincinnati area?

Sergeant POPE. I think it would increase the risk of apprehension, deterring people from becoming auto thieves. If it takes that long to do it, they are not going to stay around.

Mr. MARKS. How many people are assigned to the organized theft activities division of the Cincinnati Police Department?

Sergeant POPE. Two.

Mr. MARKS. Two persons?

Sergeant POPE. Yes.

Mr. MARKS. Yourself and one other?

Sergeant POPE. That is correct.

Mr. MARKS. How does this compare with 1972 when you first started?

Sergeant POPE. At that time we had a sergeant and seven men and in 1975 there was no one assigned to it; it was totally disbanded. In December 1978, myself and just recently another man.

Mr. MARKS. Is that all the people who investigate auto theft in the Cincinnati, just two people?

Sergeant POPE. No. We have districts, five district police stations. They have their own investigators and the investigation is assigned to those people on a routine basis.

Mr. MARKS. Do you feel that you have adequate resources to pursue auto thieves operating in your jurisdiction?

Sergeant POPE. No, sir.

Mr. MARKS. You mentioned in your statement that there is little risk of prosecution for auto theft and that penalties are minimal. Could you elaborate on this point?

Sergeant POPE. In September of this year, for example, I arrested three times the same individual. Each time he was driving a different stolen automobile. By the time I took him to the—he was 17 years old. By the time I took him to the youth center, the next week he was back out, three times in 1 month with three different stolen automobiles.

Mr. MARKS. That is pretty typical, would you say?

Sergeant POPE. I think it is, yes.

Mr. MARKS. Getting back, you mentioned a ring that you just broke up. I understand this was a very active ring?

Sergeant POPE. It involves—currently we are working on a doctor who reported the theft of a 1978 Cadillac Seville from his residence. The car was recovered in northern Kentucky the following morning, stripped of the entire doghouse, two front doors, and it was burnt. I made some inquiries and made a visit to a body shop in the eastern side of the city, located the front end to this particular Cadillac.

We had an idea who had stolen the Cadillac. Two nights later a 1978 Cadillac sedan, Seville, was stolen, recovered about a quarter mile from where the other one had been recovered, minus the four doors, and the chopped out section of the dashboard that contained a radio, an AM-FM stereo, 8-track, CB radio. They just chopped it completely out of the center of the car. Two nights later a uniformed police officer observed a subject in a parking lot at 3 o'clock in the morning, in an apartment complex on the western side of the city, and the subject saw the police officer, got in the car, started to leave. The policeman pulled him over, unable to prove ownership of the vehicle they were in at the time.

On the front seat of the automobile was what I called the shopping list, a piece of paper in their writing for a 1977 Pontiac Firebird, which is what the individual was standing next to, a 1978 Monte Carlo, a 1978 Olds Cutlass, 1978 or 1979 Ford pickup truck, and they specified brown or blue in color, and a 1978 Cadillac sedan, Seville, with a line drawn through it, a 1978 Cadillac Seville with a line drawn through it.

We obtained a search warrant for the truck, the automobile they were in. We found two slam hammers, tools for jerking ignitions, and the cut-out section of the Cadillac dashboard with an AM-FM, 8-track, CB radio.

Mr. MARKS. This is normally known as a pull sheet?

Sergeant POPE. That is correct.

Mr. MARKS. This is what the thieves use to go out when they go hunting for cars?

Sergeant POPE. That is right.

Mr. MARKS. The Oaklawn Police Department provided us with a pull sheet of about 40 to 50 cars that were confiscated in February from a group of thieves operating a chop shop. Could I have the clerk take this over for you to examine to see if it resembles the one that you confiscated?

Sergeant POPE. This basically is the same. This is obviously a lot larger than the one they had, but the notations are very similar, same thing, 1977. It specifies the year, type of car, and in some cases colors.

Mr. MARKS. A shopping list?

Sergeant POPE. Right.

Mr. MARKS. I would like the list entered into the record.

[The document referred to was marked "Exhibit No. 27" for reference and may be found in the files of the subcommittee.]

Mr. MARKS. You were mentioning that in this case, the radio had been—

Sergeant POPE. The dashboard and the radio had been found in the trunk of the automobile they were driving. Before we could go to the Kentucky Police Departments impound lot to compare the pieces we found with the automobile, someone burglarized the impound lot and totally torched the Cadillac that was there making identification of the interior, it was a total loss.

Mr. MARKS. What happened to this person?

Sergeant POPE. The two people we had right now are charged with possession of criminal tools, slam hammers, and I am still working on trying to identify that radio back to that Cadillac.

Mr. MARKS. What would happen if there had been additional VIN numbers on these Cadillacs?

Sergeant POPE. It would have been on the radio, there would have been a serial number on the radio itself. I'd have run it through the Cad back, back to the dealer, the guy he got the car from, they don't keep a record of it.

Mr. MARKS. They keep no record?

Sergeant POPE. Of the serial number of that radio.

Mr. MARKS. One additional question, then we will put a slide show on, which will show precisely how Mr. Bunnell was able to recover the numbered parts for the police.

With a two-man auto theft unit, do you think you have enough manpower to break up large rings like the one Mr. Bunnell described?

Sergeant POPE. No, sir.

Mr. MARKS. I would like you to examine the dashboard panel of an automobile. I understand that this is one of the parts most quickly disposed of by the thieves, because of the numbers on it. I was wondering if you might examine it and tell us if this was typical of the numbered parts that were found.

Sergeant POPE. What you have here is the top panel of the dashboard of the Ford motor product that has the VIN plate in it. Thieves usually dispose of the cowl section of the automobile. I will show you what it is, it is the firewall, dashboard, instrument panel, the entire section which would weigh 100 pounds.

This would be a top panel on the top of the dashboard that would have the vehicle identification number attached over there.

Mr. MARKS. This was the part of the cowl that was disposed of?

Sergeant POPE. Yes.

Mr. MARKS. We wanted to bring a cowl section in, but we would need eight or nine people to bring it to the table, and the table might collapse underneath it.

Mr. BERK. Could you identify exactly where the VIN is located on that piece?

Sergeant POPE. It is located over the left-hand corner. The vehicle itself is a 1974 Ford, a Pinto. It is a top panel to the dash. It sits on

top of the dash panel. It would set like this with the driver's side being on that side.

Mr. BERR. Is there a VIN marking on the underside of that?

Sergeant POPE. The VIN plate is riveted in on the top, on the bottom here.

Mr. MARKS. That has no value to the thieves, is that correct?

Sergeant POPE. As a stolen piece? No. But if you were going to buy salvage, this is all you want to buy. This and the title is all you need.

Mr. MARKS. Just that?

Sergeant POPE. Sure.

Mr. MARKS. How much is that worth, that piece?

Sergeant POPE. It is a 1974 Pinto, market value. That is all you need. Put this on the stolen piece and sell it.

Mr. MARKS. What would be the market value of a 1974 Pinto right now?

Sergeant POPE. Today with the price of gasoline, probably a couple of grand.

Mr. MARKS. Thank you. If we could have the lights off, please.

Sergeant POPE. What you are seeing there is the cowl section to an automobile, several of the ones we recovered in Mr. Bunnell's investigation. Again, it is nothing more than a dashboard and a firewall section of the automobile that has been cut out.

In some cases, the confidential number by the manufacturer is placed somewhere on that unit and they get rid of that. They just dispose of the whole thing. Some of them that were recovered, were stored at the Hamilton County's Sheriff Post. Everything you see standing there are cowl sections of stolen automobiles.



Cowl sections of stolen automobiles recovered by Ohio police officers.

The picture you are seeing is part of Bunnell's investigation that led to the recovery of these cars or parts of these cars. In most cases they were just pieces more than the entire automobile.

Mr. MARKS. You got these from the salvage yards?

Sergeant POPE. That is correct. He took us in. We used search warrants on various salvage dealers and junkyards within the Cincinnati area. We recovered the parts, sheet metal parts, went out into some of the fields up in Warren County, the greater Miami River and pulled the pieces that had numbers on them out of the river.

In effect, to make the case in court, we identified some of these cars by trying to reassemble them, match up the cut-up pieces.

Mr. MARKS. So Mr. Bunnell went around and pointed out pieces in the salvage yard and told you where the numbered parts to these cars had been dumped?



Rear clip of a stolen 1977 Buick Regal recovered by Ohio police officers.

Sergeant POPE. That is correct. What you are looking at here at that time was a brand new 1977 Buick Regal that we found inside the salvage yard. All that is there is a rear clip. The car has been cut into the firewall, the cowl section has been removed, the doors, entire interior and deck lid. We found this in a salvage yard. Through Mr. Bunnell, we were able to determine where it had been stolen from and there is a number, it doesn't show on the slide, restenciled number on the door, the driver's door jam. We were able to trace that number back to the Buick dealer that had sold the automobile new and through that number we were able to trace it to the owner and positively identify it.

Mr. MARKS. What is a restenciled number?

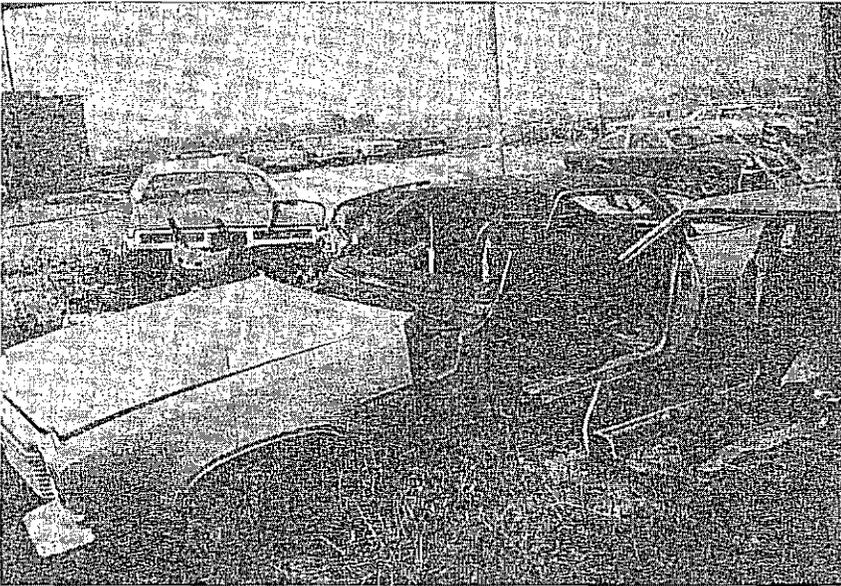
Sergeant POPE. It was an inventory number. I called the Buick dealer that had reported the car stolen and asked him how he num-

bered his automobiles when they were delivered off the truck. He said he used a four-digit number on the door jam. I gave him the number that appeared on that particular piece and asked him to tell me if it was in their inventory, what happened to it.

He replied it was a blue and white Buick, that had been sold to Mr. Robinson. Robinson subsequently reported it stolen. This is the same Buick Regal. That is all we recovered of it. Nothing else was ever found of it. By the time we ended this investigation, the other parts that had been sold had already been resold again by the dealer.

Mr. MARKS. Where do you think these parts wound up?

Sergeant POPE. On another Buick, crash replacement parts.



Stolen 1973 Chevrolet Chevelle recovered by Ohio law enforcement officers in three sections, from three different locations, and partially reassembled.

You are looking at a 1973 Chevrolet Chevelle. That car is actually in three different pieces. We recovered all three of them in different locations. The rear clip deck was in a shop that Carnine was using. We obtained a search warrant; found the rear clip inside; the cowl section was in a field in Butler County; and the entire doghouse came out of a junkyard in Harrison, Ohio.

Mr. MARKS. Did Mr. Bunnell know about the three different locations?

Sergeant POPE. He knew of all three.

Mr. MARKS. How was he able to remember all of this? How is his memory?

Sergeant POPE. His memory is outstanding. I was skeptical when I first sat down and listened to his statement that he had great detail about each car. He could remember approximately where it was taken, in many cases he remembered personal items that had been in the car. A 50-pound box of candle wax that was in the trunk of an automobile,

that had been stolen a year ago. We called the lady up, and asked her if there was anything personal in the automobile and she remembered a 50-pound box of candle wax, things of this nature.

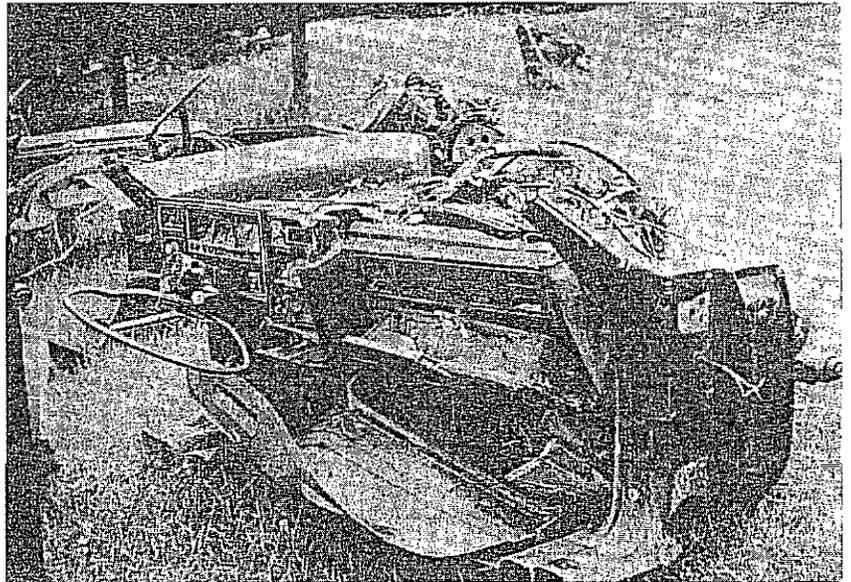
Mr. MARKS. Why do you think that they had scattered these numbered parts in farmers' fields?

Sergeant POPE. Most of those parts, if you took the automobile apart, the cowl section, if you are going to rebuild a car, if it is hit that hard in the cowl section, they couldn't replace the cowl. It is a numbered part.

The part has—in most of these kinds of cars that they were dealing with, has confidential numbers on it. They got rid of it.

Mr. MARKS. They went a step further. They hid the evidence.

Sergeant POPE. Get rid of it, yes. They didn't want it laying around the shop. According to his statement to us, he talked about cutting an automobile up and trucking it to the different salvage yards within a matter of a couple of hours after it had been stolen.



Cowl section of automobile after its removal from the Miami River in Ohio.

Some of these parts were thrown into the great Miami River. He took us out and showed us on the bridge exactly where they had thrown them across. The physical markings on the bridge is where the cowl section scraped the bridge. We sent divers down to the River to locate some of these.

There is a crane at the top trying to bring it up. Sometimes you don't always get what you want. We brought up the steering wheel first. That is the cowl section after it had been at the bottom of the River.

Mr. MARKS. How many divers were involved in this effort?

Sergeant POPE. Two dive teams. The river at the time was very muddy. One couldn't locate it. We used a total of 10 different divers.

Mr. MARKS. How long did it take the divers?

Sergeant POPE. We worked out there about 3 days.

Mr. MARKS. For 3 days?

Sergeant POPE. Yes.

Mr. MARKS. Were they scattered in any other streams besides the Miami?

Sergeant POPE. We found a couple streams where we didn't need divers, just the cranes to pull things out, in creekbeds, things like that.

Mr. MARKS. The numbers were still readable even though the parts had rusted?

Sergeant POPE. Ob, yes. Some of these we used personal identification to identify them. Mr. Bunnell gave us the location from where the car had been stolen and by the time we went to the salvage yard, the only pieces we could find were front-end assembly. In this particular case, the police had already recovered the cowl section that they had dumped and returned it to the insurance company as a recovered vehicle, and they in turn, sold it as scrap.

We went to the salvage yard and found this front-end assembly to, I believe, a 1977 Chevrolet Malibu Classic. We called the owner and asked if there was any way she could identify the front end or doors. She replied she had two minor dents very recent to the theft. One was damage to the front fender, and one on the other side on the front fender. Her keys opened the doors that we recovered. We were able to identify it to make it stand up in court that that was her front end.

Mr. MARKS. Only because she was able—

Sergeant POPE. Proper identification and the police report substantiating the accident.

Mr. MARKS. How long did it take you to locate this woman? How many man-hours were involved?

Sergeant POPE. Probably 16, 18 man-hours just in locating her and getting her down. She lived 40 miles away from where we had these parts. She had to drive down. She forgot her keys and had to go get the keys and bring them back down. Just locating the paperwork and making the phone calls was a tremendous task.

Mr. MARKS. Was she compensated at all for coming down and doing this?

Sergeant POPE. No.

Mr. MARKS. She just did it as a public service?

Sergeant POPE. Public service.

This is inside the salvage yards that we raided with a search warrant. It had front ends stacked up. Mr. Bunnell pointed out the ones he helped deliver that were stolen. We confiscated all of them, took them all with us. Some of the engines that were inside that salvage yard we were able to identify as stolen.

This is inside a barn on the premises. The front ends you see lined up there are all stolen property off of stolen automobiles. The doors every door there, is stolen. We were able to match these doors, the Federal safety standard sticker had been scraped off the door, but carelessness, I guess, they left a lubrication decal with the name of the Chevrolet dealer that had serviced the automobile, the date, and the

mileage. I called the man up and asked him to pull the records. He told me it was his automobile, they took it on trade service, had put it on the used car lot, and it was stolen that night.

We were able to match the doors up to the cowl section to identify them. We raided this salvage yard with a search warrant. To get the parts out, we had to have a 45-foot flatbed trailer to load the parts, and everything you see going onto that flatbed trailer is stolen or from a stolen automobile.

Mr. MARKS. These are pickup trucks?

Sergeant POPE. There's a couple. Two cabs, two pickup trucks involved, and a cab and a bed, cab and bed together on another one.

Mr. BERK. What was the estimated value of these pickup trucks?

Sergeant POPE. At that time, they were brand new, resale market value of probably \$4,000.

Mr. BERK. How many pickup trucks were there?

Sergeant POPE. In this one, we found two that were stolen, or parts to two of them. One, this one right here, we located outside the yard. You can see it is well stripped of the component parts. It was determined that that truck was stolen the day before we were in that yard.

Mr. BERK. Did you ever estimate the stolen parts inventory for that yard?

Sergeant POPE. In that particular yard? No, but I talked to the owner of the yard, and he told me he did a gross business of \$480,000 in used parts.

Mr. MARKS. Where had that truck been stolen from?

Sergeant POPE. Covington, Ky., the day before we were there.

Mr. MARKS. Who is the individual standing next to the truck?

Sergeant POPE. Garry Gardner is the FBI agent that Mr. Bunnell went to, the individual standing there. Next to the cab we found the bed to that particular truck. The cab of it had the Federal safety sticker scratched off but the confidential number on the frame was still there. We loaded it onto the truck. The police agency normally doesn't have the capabilities; the man in the yard, we used his facilities to load the stolen property.

For an overall view, everything you see there is stolen and was recovered as a result of Mr. Bunnell's cooperation. All together I believe it involved 53 different automobiles or parts thereof. Some of them were entire whole cars.

This is the shop that they were using at the time we raided the shop with search warrants in Newtown, a suburb of Cincinnati. They used one garage; they rented a garage. There was a row of eight garages and a trucking company. They rented one garage. When we arrived, there was no one present. We pried the door open. Inside is the clip to the Chevelle you saw before. In the back is a brandnew Monte Carlo. All that is left of it is a rear clip.

This slide is something from across the river. It is kind of—

Mr. MARKS. By across the river, you mean Kentucky?

Sergeant POPE. In Kentucky, yes, a ring operation that I investigated about 1 year ago last November. What you are looking at is a White Freight Liner tractor. This particular tractor had been stolen from the Stroh's beer distributor in Newport, Ky.

Mr. MARKS. Stroh's Brewing Co.



White Freight Liner tractor stolen from a Newport Kentucky firm.

Sergeant POPE. Stroh's beer. It was a distributing company. The tractor was red with gold Stroh's writing on it. The individual who stole it took it to Georgia and repainted it with a \$1,000 paint job and brought it back up and was independently hauling Weideman beer for a distributor less than a block away from the other one. He had a little difficulty with the engine, blew the engine up, went into Woodlawn, Ohio, burglarized the White Freight dealership there, drove a new one through the dealership window, took it to Georgia, took the engine and transmission out of that and put it in this one.

When we recovered this one, the numbers indicated it was the Stroh's truck, but the transmission and engine was taken out of the brand new one. The tractor is worth about \$70,000.

Mr. MARKS. Did Stroh's know a competitor was using their vehicle?

Sergeant POPE. They do now. The man using it was an independent. He was hauling Weideman beer with it.

Mr. MARKS. That concludes your slide presentation?

Sergeant POPE. Yes.

Mr. MARKS. Would you have been able to make these cases without Mr. Bunnell showing you where these parts were?

Sergeant POPE. I doubt we would have even known about it. Some of the parts he had taken us to where they disposed of the cowl section had already been recovered by the local police department there.

They had been taken out of the computer as recovered automobiles, sometimes returned to the insurance company as recovered cars.

Mr. MARKS. So without the combination of the numbered parts and his memory, the ring might still be in operation today?

Sergeant POPE. Without a doubt.

Mr. MARKS. Sergeant Pope, what steps do you think should be taken at this point to cope with the growing problem of motor vehicle theft in this country?

Sergeant POPE. I believe the provisions of this bill, that would mandate the automobile manufacturers number their sheet metal parts, are going to eliminate a lot of the chop shop activities or cut-up operations, whatever you want to call them.

Right now if a guy who is popular in our area is to buy a total, as Mr. Bunnell mentioned, a burnout, for example, and rebuild that car—the frame is good—rebuild it with stolen metal parts. If those parts are numbered in such a manner that they cannot be altered, I think you are going to eliminate a lot of the cut-up activities. In the case of the Cadillacs, individuals are going around to body shops and taking orders for parts, going out, stealing them, cutting the car up, and delivering the parts.

Mr. MARKS. Sergeant Pope, thank you very much for cooperating with the subcommittee. Your testimony has been outstanding and you are a real credit to the Cincinnati Police Department.

These hearings will stand adjourned until 9:30 Tuesday morning in room 3302. We will hear from Director Webster, a representative from the Arthur Little Co., and the motor vehicle manufacturers.

Thank you.

[Whereupon, at 11:44 p.m., the subcommittee was recessed to reconvene at 9:30 a.m., Tuesday, December 4, 1979.]

## PROFESSIONAL MOTOR VEHICLE THEFT AND CHOP SHOPS

TUESDAY, DECEMBER 4, 1979

U.S. SENATE,  
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,  
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS,  
*Washington, D.C.*

The subcommittee met at 9:30 a.m., pursuant to recess, in room 3302, Dirksen Senate Office Building, Hon. Sam Nunn (chairman of the subcommittee) presiding.

Members present: Senators Nunn, Percy, Cohen, Sasser, Biden, and Javits.

Members of the professional staff present: Marty Steinberg, chief counsel; Jerry Block, chief counsel to the minority; Howard Marks, investigator to the minority; Stephanie Grill, Bill Mayer, Marie Earl, and Adele Linkenhoker, staff assistants to the minority; Myra Crase, chief clerk; and Mary Donahue, assistant clerk.

Member present at time of convening: Senator Percy.

Senator PERCY [presiding]. The hearing will come to order.

In view of the fact that this is the final day of the hearings, I would like to make a short statement.

I understand Senator Biden, not a member of this subcommittee, but a member of the Judiciary Committee, will be joining us and also has a statement to make.

[The letter of authority follows:]

U.S. SENATE,  
COMMITTEE ON GOVERNMENTAL AFFAIRS,  
SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,  
*Washington, D.C.*

Pursuant to Rule 5 of the Rules of Procedure of the Senate Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, permission is hereby granted for the Chairman, or any member of the Subcommittee as designated by the Chairman, to conduct open and/or executive hearings without a quorum of two members for the administration of oaths and taking testimony in connection with Professional Auto Theft and Chop Shop operations on Tuesday, December 4, 1979.

SAM NUNN,  
*Chairman.*

CHARLES H. PERCY,  
*Ranking Minority Member.*

Senator PERCY. Last week, this subcommittee held 4 days of hearings on the problem of professional motor vehicle theft. According to the Justice Department, motor vehicle theft costs the Nation \$4 billion a year. By and large, this cost is absorbed by the consumer in

the form of increased insurance premiums. It is a financial burden the consumer should not have to pay, and it is a part of the inflationary problem that we are all working on. The accumulated effect of costs of this kind are hidden costs that add to the impact of inflation today.

More specifically, we learned that vehicle theft today is rapidly changing from a crime committed by youth for kicks to a crime committed by professional thieves for one purpose—big money. We heard about the national chop shop network through which thieves are marketing stolen parts across the country and pocketing millions of dollars in the process.

We also heard about retag operations, or how stolen cars can quickly be given a fictitious identity and sold to an unsuspecting consumer.

Finally, we learned about the growing problem of insurance fraud, or how vehicle thieves and average citizens alike are falsely reporting their cars stolen so that they can collect thousands of dollars in fraudulent insurance claims.

Whenever the combination of high profits and low risks exist, organized crime is sure to claim its share of the profits. In both New York City and Chicago, organized crime has taken a tremendous interest in professional motor vehicle theft. In both cities they have left their calling cards of violence and intimidation. Murder has become a standard business practice, 14 murders having been committed in this field in Chicago alone.

Motor vehicle theft should not be dismissed as just a problem of the big cities. It is the fastest growing crime in rural America. In short, we have a national problem on our hands that demands a national solution. The States must see to it that strong and well-targeted programs are implemented to attack this costly problem. Local law enforcement and the courts must face the harsh reality—vehicle theft is not a pretty crime. It must be attacked with increased manpower and stiffer penalties for offenders. The insurance industry must reassess its present practices and consider large-scale reforms to reduce vehicle theft and fraud.

During four mornings of detailed testimony, each of our witnesses emphasized that most vehicle thieves will continue to steal until the risks involved in committing the crime are substantially increased. Our auto thieves—"John Smith," Alex Jaroszewski, and Wilfred Bunnell—were gainfully employed and leading law-abiding lives before they turned to vehicle theft. All three were lured away from the straight path by the same realization: Vehicle theft is a crime with unlimited profits and virtually no risks.

I aim to present to all the thieves, chop shop operators, salvage yards and repair shops trafficking in stolen parts, a clear and present danger of arrest, conviction, and imprisonment for their crimes. It will make them think twice before they chop or retag a car or purchase stolen parts.

To this end, Senator Biden and I have introduced the Motor Vehicle Theft Prevention Act of 1979. This bill embodies many of the measures suggested by the witnesses who appeared before this subcommittee last week. S. 1214 calls for the placement of vehicle identification numbers on the major component parts if it is found to be costeffective.

Unless the parts can be quickly identified by law enforcement, which increased VIN marking would make possible, the thief who steals and chops a car, and the salvage yard and repair shopowners who buy stolen parts with little risk, will continue on undeterred.

Our witnesses also testified that if they had not been able to steal a car in a matter of minutes, they would not have become thieves.

The bill addresses this problem by calling for cost-effective improvements in the manufacturers' vehicles security systems. After watching "John Smith" defeat the current model door locks and ignition systems, it is apparent that Detroit could use a better idea.

Finally, I am pleased to announce this morning the formation of the Coalition to Halt Automotive Theft which will work for the enactment of S. 1214. In this regard, I believe our distinguished first witness will be the first to admit that there is a limited amount that law enforcement can do if it's not backed up by the private sector.

The media has been immensely helpful to us in getting the word out that we are declaring war in this particular area and that we intend to win. In order to do so we must have the backing of the private sector. Members of the Coalition to Halt Automotive Theft will include the Automotive Dismantlers and Recyclers of America, the International Association of Chiefs of Police, the International Association of Auto Theft Investigators, State Farm Insurance, and other major insurance companies.

I might say, Judge Webster, I expect to receive all kinds of calls from people who have lost their keys and cannot get into their car. The instruction in theft techniques that I have received over the past week should qualify me to help them. We are very honored and pleased to have you here.

I would like to say, again, as I have on the Senate floor, that while giving up a lifetime appointment on the Federal Bench was a great sacrifice, I believe you will really accomplish a tremendous amount with the FBI.

Already you have acted to improve morale, improve law enforcement, and develop a charter for the FBI. This subcommittee has brought to your attention a number of problems recently, including arson in urban areas, and you have responded with a solution. Your support will be absolutely invaluable in alerting the Congress to the fact that the theft problem needs urgent attention.

We welcome you this morning and I turn to you now for your statement.

**TESTIMONY OF HON. WILLIAM H. WEBSTER, DIRECTOR, FEDERAL  
BUREAU OF INVESTIGATION**

Mr. Webster. Thank you very much, Mr. Chairman.

I am pleased to have the opportunity to testify about the FBI's role in professional motor theft vehicles and to give my views on the proposed Motor Vehicle Theft Prevention Act of 1979.

Professional motor vehicle thefts merit our attention for several reasons:

First. Car thefts are on a dramatic upswing. Uniform crime reports figures for the first 6 months of 1979 show a 13-percent increase over

1978 figures in reported thefts. At this rate, this year's losses traceable to vehicle thefts will exceed \$4 billion.

Second. This upswing is a trend. Since 1967 when optional antitheft devices were first placed on automobiles, the rate of car theft has increased at an average of 4 percent per year from 1967 through 1978.<sup>1</sup> But this increase is only one factor in this trend.

There has also been a large reduction in the vehicle recovery rate—9 of 10 in 1967 to 6 of 10 today. Together, these changing statistics indicate widespread renumbering, retitling, and resale of stolen vehicles. They also point to the growth of a new kind of criminal operation called the chop shop in which vehicles are disassembled for the purpose of selling their component parts.

Third. We have reason to believe that organized crime has taken over part of the chop shop industry. If it remains a lucrative business, these criminal groups will attempt to establish even more control. There have already been 14 gangland-style slayings in Chicago and at least 4 in New York linked to suspected takeovers.

The FBI has jurisdiction over interstate vehicle thefts of every variety. In recent years, however, in accord with Department of Justice guidelines, we have directed much of our attention to professional ring-type vehicle theft operations.

These rings are not limited to major cities or large metropolitan areas but are found in even the smallest locales throughout the country.

We are, of course, particularly interested in these operations where there is organized crime presence. Our experience tells us that the profits from some of these operations are invested in legitimate businesses, reinvested in illegal enterprises or used to corrupt elements of our society.

Increases that I have mentioned and the indications of an organized criminal industry taking root have caused us to step up our enforcement efforts. We currently have 632 theft rings and chop shop operations under investigation, more than at any time in our history.

But this is more a question of refocusing the resources we have than increasing them. Today, only 2.12 percent of our agents are assigned to these investigations in the field. This reflects the heavy emphasis we're placing on our new priority areas.

While we could shift some present resources into auto thefts to head off this growing problem, our other mandated responsibilities would make a shift difficult at this time.

One answer to this is the Motor Vehicle Theft Prevention Act of 1979. It promises to give the FBI a valuable new tool in combating vehicle thefts and will make us more effective with the resources currently available.

By giving the Secretary of Transportation regulatory authority to issue standards that would require new antitheft devices, new cars would be less vulnerable to theft. This could reduce casual thefts and allow us to concentrate even more on the ring-type operations and organized chop shop enterprises.

If, as proposed, this same regulatory authority were used to order the placement of vehicle identification numbers on the major com-

<sup>1</sup> This amounts to a 50-percent increase in vehicles stolen in 1978 over the year 1967.

ponents of new cars, the chop shop operations could no longer deal in unnumbered, untraceable parts. Although removal of the number might conceal the vehicle's origin, this itself would draw suspicion.

As you know, along with the new requirement to number the major components, the statute would make it a Federal crime to remove or alter such a number. It would make it a Federal crime to traffic in motor vehicles or motor vehicle parts that have had required numbers removed or altered. And it would give us the power to seize and possibly cause the forfeiture of vehicles or component parts where numbers have been removed or altered.

These new prohibitions center directly on the activities of the chop shop operations, and they would give us productive new investigative avenues to bring these operations to a halt.

But, as important as any of these new elements, is the requirement to amend the RICO or Racketeer Influenced and Corrupt Organizations Statute, to classify trafficking in stolen motor vehicles and their parts as racketeering activities. We know that organized crime has entered the auto theft business because it is extremely profitable and yet relatively risk free. RICO prosecutions will greatly increase the risks to chop shop operators.

For the first time, they will face heavy fines, heavy prison sentences, and possible forfeiture of their criminal enterprises. This will discourage some, and it will allow us to hit many of the others hard enough to bring this situation under control.

For all of these reasons, Mr. Chairman, the FBI supports this proposal and would be pleased to see it enacted. If the members of the committee have any questions at this time, I will be happy to answer them.

Senator Percy. Thank you very much, Mr. Webster.

First, could you describe the role of the FBI in auto theft investigations over the past decade? How high a priority has been placed on this problem by the FBI, how do you look on your role as it relates to the role of the State and local law enforcement officials?

Mr. WEBSTER. The present view of the FBI is that in areas of concurrent jurisdiction, the FBI ought to do those things that the local law enforcement agencies cannot do at all, or cannot do as well, or to assist and cooperate in a number of ways, such as the NCIC system in helping them specifically in this case to locate stolen cars. The Dyer Act created a large area of jurisdiction when it was enacted. It received for many years an increased amount of FBI attention, and we point with a good deal of pride to the recoveries and to the savings, but today with the expanding criminal enterprise, the sophistication of white collar crime and the challenges in foreign counterintelligence, it has been necessary for us to concentrate primarily in these priority areas, and that has meant some pulling away from the individual car cases and other cases of lesser priority.

I think this may account for the change in the solution rate, to some extent. We have never abandoned our interest in the car theft rings, and we have, as I mentioned, 632 car theft rings today under investigation, higher than at any time in our history.

As the FBI sees inroads into this industry by organized crime, we are ready and anxious to dedicate the resources that are available to us in this effort.

At the same time, we are at a time of limited, static, and, in fact, diminishing resources from the standpoint of personnel. As such, it is important that all segments of the community participate in this.

The motor vehicle theft prevention statute seems to involve the other segments of our society, the ability to require private industry to develop deterrent apparatus for the automobiles.

[At this point Senator Nunn entered the hearing room.]

Mr. WEBSTER. I don't know if I completely answered your question, Mr. Chairman. But, in summary, we are interested in the commercial aspects of this violation. It represents an enormous loss just to the country in dollars each year.

Senator PERCY. Senator Nunn, Judge Webster has completed his statement. We have just begun the questioning.

I wonder if you would like to make a statement at this time?

Chairman NUNN. Not right now. We are delighted to have you, Judge Webster, and pleased you can be here to comment on this.

I think it has been an enlightening set of hearings. We are delighted to get your views. I will catch up with your testimony.

Senator Percy, you go ahead with the questioning and I will interrupt later on.

Senator PERCY. If you would, please, just break in at any time.

We had some discussion by the thieves and by local and State law enforcement officials, about the recovery rate. It was my original impression that a recovery rate reflected the recovery of the whole car. We learned that law enforcement officials sometimes count an engine as a recovery, which does little to satisfy an individual whose car has been stolen. What does the declining recovery rate mean?

Mr. WEBSTER. Part of the reduction in the recovery rate can be attributable to the resources applied, but I think one identifiable trend has been the growth of the chop shop industry, particularly in your part of the country, Senator.

Senator PERCY. You mean our part of the country.

Mr. WEBSTER. Our part.

Senator PERCY. You are a midwesterner, too, hailing from St. Louis.

Mr. WEBSTER. I will agree to that.

In some parts of the country, the emphasis is still on retitling—fabricating additional indicia of ownership. But the chop shop also provides a very profitable way to take the automobile, particularly the rear clip and then to chop it up very quickly into resalable parts.

I am not talking about the engine, but rather the other components of the automobile, to make them available on very short notice and, in effect, to become part of regular industry in salvage parts, which is a legitimate industry.

The chop shop does participate in this process by selling parts from a stolen automobile at a reduced cost. It has developed its own lines of distribution, communication, sales, experts in quick chopping, and so on. I think that is where the automobiles are going.

Senator PERCY. The automobile industry has a tremendous impact on the economy, directly or indirectly affecting some 20 percent of our GNP. A home is the largest purchase a family makes and the automobile would probably be second.

Mr. WEBSTER. Yes.

Senator PERCY. Now that automobile thefts have reached 1 million cars a year, what does this mean for the average citizen?

Mr. WEBSTER. I suppose the biggest cost for the individual is in insurance rates. Losses are running, we figure this year, at \$4 billion. Most automobiles are insured. The citizen is indirectly paying through insurance premiums for these losses. I think that this is the primary impact.

Senator PERCY. Many crimes are essentially an urban problem. Certainly homicide and the use of handguns is much higher in urban areas. Is automobile theft, too, an urban problem?

Can you tell us what is happening in the rural communities now?

Mr. WEBSTER. I think we are experiencing the same kind of problem in the rural communities as we are in the urban areas and some of these chop shops are located in rural areas.

I am aware of one in our part of the country, it's in a relatively small city, and has been there for some time. I don't believe you can say this is an urban problem. You can identify the cities, Chicago, Metropolitan New York, New Jersey, and Buffalo, where there have been organized crime attachments that we have been able to identify, but the process only takes a small operation to set up a chop shop outfit.

Senator PERCY. Could you comment on whether or not theft is confined to passenger cars, or is it moving into pickup trucks and farm machinery and equipment?

Mr. WEBSTER. There are definite thefts of farm machinery and pickup trucks. We investigate wholesale thefts—they will take an entire loaded tractor-trailer and steal it for the cargo primarily. It used to be the truck would end up in a ditch someplace with the cargo stolen. Now the truck is finding its way into the chop shop operation.

We don't find the truck as many times any more after it has been stolen.

Senator PERCY. What has led to the increase in organized auto theft rings and chop shops? What is the role of organized crime in auto theft, and is this changing?

[At this point Senator Sasser entered the hearing room.]

Mr. WEBSTER. We have a number of investigations under way in this area. We have uncovered, as I know you are aware, several through undercover operations. It is a lucrative business. Organized crime tends to go where there is a lucrative business that must necessarily operate covertly. There is an element of tribute. In some of the communities, organized crime is exacting tribute for the privilege of allowing chop shops to operate within given territories.

The number of organized-crime-related deaths give further support that organized crime is involved. Also, we have noticed, I think, within the last year or two, 30 or 40 organized crime members have made claims for stolen cars. There is an involvement here also. It turned out that these claims were insurance frauds.

Senator PERCY. Could you comment on violence in this area, why is auto-theft-related violence on the increase? It used to be an area almost devoid of violence. How do you account for this trend?

Mr. WEBSTER. I think historically that violence increases when organized crime decides to enter a field and extort what I referred to previously as tribute money. Many of these chop shop operations were

developed by nonorganized crime members who are now being subjected to the coercion and intimidation imposed by organized crime.

Senator PERCY. In what cities does the FBI believe organized crime to be involved in vehicle theft operations?

Mr. WEBSTER. You can name countless cities, but the ones I think are most notable at the present time with organized crime involvement are Chicago, New York City and surrounding areas, such as Jersey City, Newark, and Buffalo.

Senator PERCY. My last question, could you comment on the amount of money organized crime is making? And if motor vehicle theft is not checked, where are those funds likely to be channelled?

[At this point Senator Javits entered the hearing room.]

Mr. WEBSTER. It is hard for me to give you a dollar amount that is associated with organized crime. We have certain figures that are available. Post-1977 stolen automobiles, that is, of vintage 1977 and newer, now aggregate an outstanding inventory of \$917 million, almost \$1 billion, with \$4 billion annual business in stolen car operations.

In organized crime, this money finds its way into legitimate business or other illegitimate businesses. It is becoming one of the tools, such as prostitution, loansharking, narcotics, and arson. It is joining the ranks.

Senator PERCY. Thank you very much, Judge Webster, and in view of the fact that we now have been joined by Senator Javits and Senator Sasser I suggest we adhere to the 10-minute rule.

Do either one of you want to make an opening comments?

Senator JAVITS. Mr. Chairman, may I just say again I came to observe. I will have no questions of the Director except to greet him and thank him for appearing, and to thank you for undertaking a very extraordinarily important job which will be very revealing and I think very useful to all our country and I am very grateful to you, on behalf of my State, which suffers from this.

I visually see, every time I go to an airport, cars which are just left for a few hours that are dismantled completely as if ravaged by a swarm of locusts. Anything we can do to reduce the incidence of such horrors is very, very helpful.

I thank you very much for undertaking this.

Senator PERCY. Thank you very much, Senator.

Senator SASSER?

Senator SASSER. Thank you, Senator Percy.

I simply want to commend the Permanent Investigations Subcommittee and its chairman, Senator Nunn, and the ranking minority member, Senator Percy, for conducting these hearings on professional auto theft in the United States.

Now this topic is a matter of considerable concern to me and the many people in my State. For example, auto thefts in the city of Chattanooga, Tenn., are up 68 percent in the first 6 months of 1979 from where they were the first 6 months of 1978. Auto thefts are also up 24 percent in Knoxville, Tenn., 22 percent in Nashville, Tenn., 15 percent in Memphis.

These are the major urban areas in my State and, Mr. Chairman, we know that everybody pays for these auto thefts. Testimony has and will be developed here which indicates that all of our citizens who drive

automobiles and who take out theft insurance or comprehensive coverage on our motor vehicles pay for these illegal operations. I am, therefore, hopeful that significant legislation will come out of these hearings to alleviate this problem, which I consider to be very serious.

I wish to commend the chairman and the vice chairman for examining this very important area.

Senator PERCY. Thank you very much.

Chairman NUNN. Thank you, Senator Javits, Senator Percy, and Senator Sasser.

Director Webster, you mention in your prepared testimony a proposed change by adding auto theft to the RICO statute. Senator Percy, is that part of your legislation? Is that part of any pending legislation, do you know?

Mr. WEBSTER. I believe that it is.

Chairman NUNN. Is that part of your legislation, Senator Percy, adding auto theft to the RICO statute?

Senator PERCY. Yes.

Mr. WEBSTER. It will be adding the interstate transportation of stolen vehicles, which is an existing Federal statute, thereby adding to the arsenal of Federal statutes.

Chairman NUNN. Are there any other areas of substance that you would like to see added to the RICO statute?

Mr. WEBSTER. This is one I would like to see added. There may be others that occur to us as we go along, but I think that they must be high quality cases or people will begin to distrust the RICO statute. It's a very powerful statute, which carries heavy fines of imprisonment and forfeiture. That is the significance of the statute in this case.

We favor it because we could then seek to have the courts seize all operations, chop shops, distributors, and so on, if they are found to be in an enterprise.

Chairman NUNN. Would you still aim at the organized type car theft ring in your prosecution under RICO? You wouldn't use RICO to go after someone who has stolen one or two cars?

Mr. WEBSTER. Absolutely not. That is why it is important to maintain the integrity of the RICO statute.

I think all the qualifications for the application of the theft statute here are warranted by the facts.

Chairman NUNN. Would you walk us through sort of a hypothetical example of how the RICO statute would apply to an automobile theft ring if this legislation becomes law?

Mr. WEBSTER. Of course, there would obviously be increased penalties in situations in which prosecutors were aware there was a significant organized crime involvement, and we decided to apply the RICO statute.

Your fines go up, your imprisonment can go up from 5 years to 20 years, fines up to \$25,000, and a forfeiture of the business. So if you had a chop shop operation or lines of distribution, the court could be asked to order a forfeiture of the operation or the business. If there had been an investment in a legitimate business and the legitimate business had been corrupted by organized crime, the entire business could be forfeited.

Chairman NUNN. What would be the burden of proof that the Government would bear in order to successfully prosecute a chop shop operator under the RICO statute; what would you have to establish?

Mr. WEBSTER. Generally speaking, we would have to establish the existence of an enterprise which is being used, or has been infiltrated by any person through a pattern of racketeering.

Senator JAVITS. Senator Nunn, would you also ask the witness to tell us how they are doing now without this statute?

Chairman NUNN. That was what I wanted to do. Go ahead.

Senator JAVITS. It's fine. I wondered how many successful prosecutions you have been able to undertake in some measured period of time and what kind of sentences are handed out under present law?

Mr. WEBSTER. On the RICO statute or under the Dyer Act?

Chairman NUNN. Two questions; I think Senator Javits is asking; under existing law without automobile theft being part of RICO, how are you doing on the automobile theft prosecution?

Mr. WEBSTER. From our investigations in car theft ring activity in fiscal year 1979, which is just ended, we had 319 Federal convictions, 315 of which were felony convictions; fines imposed totaled \$207,950; recoveries, that's actual recoveries, totaled \$7,976,454; and we estimate the economic loss prevented in the amount of \$244,950.

Chairman NUNN. If you had a RICO provision on automobile theft, interstate automobile theft, as I understand the application of the RICO statutes, you wouldn't expect necessarily the number of convictions, those numbers to go up, but the penalty that would be dealt out for those convicted would be much more severe.

Mr. WEBSTER. That's correct.

Chairman NUNN. So adding this would not increase your apprehension capability and it probably wouldn't increase your conviction rate, but when and if you got a conviction under RICO for organized elements, it would be much more—

Mr. WEBSTER. It would probably put that part of their business out of business. I can't give you too many figures on organized crime, but I think you are aware of our Carnap investigation and related matters in Buffalo. That resulted in 131 Federal convictions.

What would be more important to us is if we identified organized crime members who were actively engaging in this activity or who had substantial investments in such enterprises, we could seek to have that interest forfeited.

RICO is a feared statute in organized crime today.

Chairman NUNN. The next question Senator Javits and I would be interested in is, how are you doing with RICO in general now, forgetting automobile theft that is not part of it, what is the status of the Justice Department's involvement in RICO now?

Mr. WEBSTER. We have had great success with RICO. I think I mentioned earlier we are careful not to use RICO, which is a big gun, for less than big gun cases. The Unirac case, which has been going on on the east coast involving the seaboard docking industry, warehousemen, shippers, and racketeers in union organizations has produced about 63 convictions if you count the Scotto and Anastasia convictions 2 weeks ago.

I think the statute has been on the book 8 or 9 years, but its application was not seen or utilized until the last 2 years. So we see a relatively new statute being applied. It is tremendously successful wherever we have used it.

Chairman NUNN. How many States have adopted a similar kind of RICO statute? Do you know off hand?

Mr. WEBSTER. I don't know, Mr. Chairman, but I will be glad to supply that for the record.

Chairman NUNN. Isn't that a growing kind of trend for States to have their own RICO statute?

Mr. WEBSTER. Well, I am not certain of that. In addition to forfeiture, RICO permits us to utilize the violation of State laws in aid of a Federal prosecution, certain types of major State laws, such as murder and kidnaping.

I am not certain how the States have cross-applied that to take advantage of Federal laws.

Chairman NUNN. If you could get someone to furnish that for the record.

Mr. WEBSTER. I will be happy to do that.

[The information furnished follows:]

At the present time, seven states in the United States have adopted statutes similar to the RICO Statute. They are Florida, Pennsylvania, New Jersey, Connecticut, Ohio, Rhode Island, and Hawaii.

In addition, three states have made inquiries of the Department of Justice indicating they are considering such statutes. These states are Massachusetts, Iowa, and New Mexico.

Chairman NUNN. Will the placement of vehicle identification numbers on major component parts have an appreciable effect in the stolen part trafficking, in your opinion?

Mr. WEBSTER. In my opinion it will, not so much on engine parts, but on component parts of the vehicles. However, there is a problem with numbering replacement parts because you would have to have it identifiable to the automobile that is stolen. We do not believe this would be feasible or practical.

Chairman NUNN. Has anybody at the FBI done any analysis as to what kind of recordkeeping burdens these component part VIN's would have?

Mr. WEBSTER. We have considered it. I don't know the extent of the analysis, but I will be happy to supply that to you for the record.

[The information supplied follows:]

No formal analysis or study by the FBI has been made as to the kind of recordkeeping burden that would be caused by the numbering of component parts with the vehicle identification number (VIN), or any other numbering system.

It is our view, based upon the experience of our Agents who have been involved in Chop Shop investigations, that the numbering of original component parts would be a substantial investigative aid if these parts could be adequately tracked. Greater inventory control and accountability, which might require additional recordkeeping, would benefit law enforcement in the conduct of these investigations.

With regard to replacement parts, it is our opinion that the numbering of these parts would not be practical as a derivative of the original VIN is needed for an identifiable number to assist in an investigation.

Chairman NUNN. I don't know if anyone in the Department of Transportation has done that, either. Don't you have to have some recordkeeping system in order to make the numbering system work?

Mr. WEBSTER. You do, but on replacement parts you have got to be able to identify it as a replacement part. If we had just something stamped, like an "R", or a logo of some kind that the investigator would know he is dealing with a replacement part, it might help. But if you don't have the number of the car itself, you are not going to be able to prove very much. It would help us to know we are dealing with replacement parts. So just generally an "R" or some special kind of logo would help. That is what I meant when I said it would have a significant effect.

If you try to use parts numbering without adequate recordkeeping you are going to run into serious trouble.

Senator FEAC. Senator Nunn, at this point it might be helpful to note that we have a letter from the Assistant Attorney General detailing the Justice Department view on VIN marking.

At the conclusion of Judge Webster's testimony, if there is no objection, we will enter this as an exhibit in the record.

Chairman NUNN. Without objection.

Going back to RICO for a moment, don't you have civil sanctions also available under RICO, such as treble damages and injunctions?

Mr. WEBSTER. May well be. I am just not acquainted with their use. I think that is correct, Mr. Chairman.

Chairman NUNN. I just wonder about the effect. What kind of remedies would be available if we expand RICO to say, insurance companies in coming in and making some kind of civil recovery for treble damages? Do you know that offhand, or could you get—

Mr. WEBSTER. I will have counsel and others—

Chairman NUNN. Give us a legal paper on what the civil ramifications might be.

Mr. WEBSTER. I will be happy to do that.

[The information furnished follows:]

Title 18, United States Code, Section 1964(a) provides the district courts of the United States with the jurisdiction to prevent and restrict violations of Section 1962 by issuing appropriate orders in civil actions. Section 1964(a) list various civil remedies district courts may order. Included among those remedies are divestiture of property, securities or other interests, *United States v. Dupont Company*, 366 U.S. 316, 330 (1961), injunctive relief by prohibitions against certain types of activities, *United States v. Grinnel Corporation*, 384 U.S. 563 (1966), and dissolution of an illegal organization, *International Bowling Club of New York v. United States*, 358 U.S. 242 (1959). As noted, these remedies are by no means exhaustive. Indeed, Section 1964(b) provides that the court may enter temporary restraining orders at any time during the pendency of the lawsuit.

Before proceeding, a few general comments may be in order.

First, since section 1964(a) relates to a Civil action, the burden of proof is by the preponderance of the evidence as contrasted with the higher standard in a criminal case.

Second, civil actions permit broader rules of discovery and a defendant could be compelled to testify at a deposition, even if his testimony is self-incriminatory under the Fifth amendment, where he is granted immunity. *United States v. Cappetta*, 502 F. 2d 1351 (1974).

Third, Section 1966(b) provides for expedition of actions instituted by the Government.

Fourth, both the Government and private parties may avail themselves of civil RICO actions.

In addition, Section 1964(c) provides that any person injured in his business by reason of a violation of Section 1962 may sue in district court and may recover treble damages he sustains "and the cost of the suit, including reasonable attorney's fees."

Fifth, there is no prohibition to instituting a civil action before a criminal action under RICO. However, Section 1964(d) provides that the doctrine of collateral estoppel operates if there has been a prior criminal conviction. In essence, the defendant shall be estopped "from denying essential allegations of the criminal offense in any subsequent civil proceeding brought by the United States." This principle probably also applies to actions brought by private parties under Section 1964(c).

Sixth, Section 1965 provides broad venue and process.

Finally, except for civil actions brought by a private person under Section 1964(c), the RICO Statute provides only for equitable relief which is remedial and not punitive. Hence, as in other cases in equity, whether equitable relief is appropriate will depend upon whether a preponderance of the evidence shows a likelihood that the defendant will commit wrongful acts in the future, a likelihood which may frequently be established by inference drawn from past conduct. *United States v. Cappetto*, 502 F. 2d 1351 (1974).

It is apparent that the civil remedies prescribed under RICO offer an excellent tool to combat organized crime. The United States has not, however, emphasized the use of the civil remedies provided under RICO. For one thing, prosecutors are concerned that the identity of informants may be disclosed prior to the institution of civil actions under Section 1964.

Further, it has been recommended by the Criminal Division of the Department of Justice that where the Government is considering both a criminal and civil action that the criminal action be brought first inasmuch as the collateral estoppel provisions of Section 1964(d) would operate. The Department also pointed out that institution of the criminal action pretermits the contention that the civil suit was punitive rather than remedial. See *United States v. One Cadillac El Dorado*, 453 F. 2d 898 (9th Cir. 1971). Also, the Department notes that even if the criminal case results in an acquittal, there would be no bar to a later civil suit.

In any event, I should point out that one of our major field offices, the New York Office, has taken the initiative under its reorganization plan to take a closer look at RICO as a civil tool to combat organized crime. Of course, the development of any positive program in the New York Office, or any other field office, would encompass the views of the Department of Justice and local United States Attorneys.

Mr. WEBSTER. Again, I mentioned what the automobile manufacturer could do. But the insurance companies could also contribute a great deal to the resolution of this problem by insisting upon physical inspection of the automobile. Presently we find many insurance companies are issuing policies on automobiles that, in fact, no longer exist based on identification numbers that have been obtained elsewhere.

Chairman NUNN. I don't know what the proper level of governmental actions in this is, whether governmental action is absolutely necessary, but at some level of government it seems to me the whole question of what you do with a totally wrecked automobile and letting that title float around has got to come into play. We have had a lot of testimony on that but I think it is an absurd situation when automobiles are totaled completely, for them to be retitled.

Mr. WEBSTER. I believe there is another provision of the statute that makes trafficking in titles a Federal offense by defining the title as a security. Hence, it may amount to the interstate transportation of stolen securities, where titles are stolen or counterfeited to confirm phony identification or indicia of ownership in the State where the car is located.

Chairman NUNN. I know the FBI's jurisdiction has remained rather constant in this area, but you shifted your emphasis in the au-

tomobile theft area. Can State and local authorities handle the burden that is imposed on them by the FBI not spending as much time on automobile theft as formerly? Have they moved to pick up the gap?

Mr. WEBSTER. Yes; they have. They have the same problem we do and that is limitations on manpower. I think they have done an admirable job. We continue to collaborate throughout the NCIC system on keeping track of stolen automobiles and their movement, which has been very effective. I had an opportunity over the week to watch the location of a stolen automobile involving an armed robbery near my home. In very short order they brought it down. I think the officers have the training. It is just a manpower question.

Chairman NUNN. How are State and local authorities able to deal with automobile theft rings across State lines? Can they tackle that without your help?

Mr. WEBSTER. Now, that is more difficult. There seems to be a body of car thieves who are enjoying relative freedom from prosecution because of the same problem we talked about earlier, the allocation of resources and the assignment of priorities. First offenders have a pretty easy go of it and when a car goes across a State line, it becomes extremely costly to return the automobile or the subject to another State for prosecution when that person is likely to receive probation or a fine anyway.

As I say, the first offenders, a large body of them, at the present time are walking away without any significant punishment.

[At this point Senator Javits left the hearing room.]

Chairman NUNN. What percent of your agents are you allocating to automobile theft today?

Mr. WEBSTER. The field resources are running about 2.12 percent. In terms of actual numbers, we used 127 agent work years in 1979. We have estimated 157 for fiscal 1980.

[At this point Senator Biden entered the hearing room.]

Chairman NUNN. What is that?

Mr. WEBSTER. One hundred fifty-seven agent work years. Of course, the agents are not full time. It is the application of the hours, it converts to having 157 agent work years available for this program.

Chairman NUNN. Is that counting headquarters?

Mr. WEBSTER. No; that's field.

Chairman NUNN. Do you have any numbers for headquarters?

Mr. WEBSTER. I am sure we do, but I don't think I have them here. I think your next witness is going to be able to tell you about what we have at headquarters.

Chairman NUNN. Fine. I am just trying to get some comparison. How many agents do you have working all together like on the Freedom of Information Act request?

Mr. WEBSTER. Three hundred, three hundred people. About 30 to 35 of them are lawyer-special agents and the balance are support personnel.

Chairman NUNN. How many would be working on the Privacy Act?

Mr. WEBSTER. That includes the Privacy Act.

Chairman NUNN. How does that convert to agent work years, have you done that computation?

Mr. WEBSTER. Well, you have at least 35 special agents plus all of the support, the 260-some odd support personnel that go with that.

That is just at headquarters. Then we have in each field office, agents assigned, responsible for answering field inquiries directed to a field office in each of the 59 field offices.

Chairman NUNN. Could you compute for the record the comparison between the number of FBI agent work years in the automobile theft area compared with the FBI agent work years in responding to freedom of information and privacy requests?

Mr. WEBSTER. I believe we can and will be able to undertake that.

Chairman NUNN. For the record.

Mr. WEBSTER. Yes; for the record.

[The information furnished follows:]

During Fiscal Year 1979, actual Special Agent work years devoted to automobile theft cases was approximately 128 for both our field divisions and headquarters. On the other hand, during the same period, FBI Agent work years devoted to Freedom of Information and Privacy Act (FOIPA) requests totaled 55.15 for our field divisions and headquarters. When support personnel whose time is devoted to both areas are included for Fiscal Year 1979, we note approximately 204 work years were devoted, in total, to automobile theft matters whereas 836.14 work years were devoted to FOIPA matters.

Chairman NUNN. Thank you very much.

Senator PERCY. I would like to welcome Senator Biden. I specifically called and invited him to be here today. He is not a member of this committee, but he is the distinguished chairman of the Criminal Justice Subcommittee, of the Judiciary Committee. He has been a leader in this field and I have been very pleased, indeed, to join with him in sponsoring this legislation.

Senator Biden, it is now Senator Sasser's turn for questioning. Each of us have given an opening statement ahead of questioning. Senator Sasser may defer if you wish to read a statement.

Senator SASSER. I will be delighted to defer.

Senator BIDEN. Why don't I wait, Mr. Chairman, after Senator Sasser's questions. I do have an opening statement. In light of the fact you have all had a chance to speak to this problem, I would like to ask permission, if it is appropriate, Mr. Chairman, that my statement be entered in the record and when Senator Sasser finishes, if it is appropriate, maybe to ask a question and make a briefer statement and sit here and listen.

Chairman NUNN. The question of whether or not anything is going to happen in this area in terms of legislation is largely in your hands, so we will give you whatever time you want.

Senator PERCY. I give you all my time, too.

Chairman NUNN. We would like for you, if you would like to make your statement. You are one of the prime sponsors of this legislation. You take an active interest along with Senator Percy. We have had, I think, under the leadership of Senator Percy and minority staff, an excellent set of hearings, Senator Biden. I know from testifying before your subcommittee that you are vitally interested in this area and all the areas of criminal law.

You are going to be vitally involved in that. We do welcome you here this morning and after Senator Sasser completes his questions, we will be glad to have you make any statement you like.

Senator PERCY. I would like to say this is the most nonpartisan subcommittee in the U.S. Senate. Without the support of the chairman,

and without the support of the majority staff we simply could not have done it. We are very grateful to have you here.

Senator SASSER?

Senator SASSER. Mr. Webster, you stated in your opening statement that auto thefts were on the upswing and that they had increased 13 percent this past year. Let me ask you this question: Why are auto thefts, in your judgment, on the upswing?

Mr. WEBSTER. I believe they are on the upswing because the application of resources to deter this crime have diminished, relatively speaking, and because the dollars involved in this industry continue to rise. It is increasingly profitable.

Costs go up, the interest of dealers in acquiring cheap parts, the pressure to keep repairs down to satisfy insurance companies, all of these things, I think, have some bearing on why it is going up.

Senator SASSER. You indicated in your statement that it was up 13 percent nationwide and I cited statistics which were dramatically higher in certain sections of my native State of Tennessee. For example, Chattanooga is up 68 percent. Chattanooga is very close to the Georgia State line. In deference to Senator Nunn, I will say its proximity to Georgia has nothing to do with the statistics going up.

Senator NUNN. Some people think it is part of Georgia, as you know.

Senator SASSER. Does a city's proximity to a State line have anything to do with the number of auto thefts that might occur there?

Mr. WEBSTER. This is a matter of conjecture, Senator. One factor that I mentioned earlier was the difficulty that States have in terms of cost in dealing with single car thefts on receipt of information that a car is stolen. The problem with getting the subject back to the other State, and only to find he or she is a first offender, that he is not going to be prosecuted or he is not going to receive more than probation. Hence, it tends to receive a low order of priority and, therefore, gives a certain margin of breathing space to those who engage in the activity.

Senator SASSER. I note in the remainder of my State, the statistics are also up significantly above the national average. Knoxville, Tenn., for example, is up 24 percent; in Nashville, 22 percent; and in Memphis just slightly above the national average, 15 percent.

Are we witnessing increased auto thefts in the southeastern part of the United States or the so-called Sunbelt? Does that account for these statistics going above the national average?

Mr. WEBSTER. I don't know if I brought with me any regional graphs, but we are all aware of the enormous amount of relocation that has taken place in the South in the last decade, industries developing there, a lot of people are there who don't have jobs who had jobs originally. Again I am speculating, but I would say that all those conditions present an opportunity for people to shift into this work and also a market for cheap parts and cars because of an unsettled economic condition connected with relocation.

Crime, generally, seems to have a greater incidence in the South in the last few years, violent crime especially.

Senator SASSER. Mr. Webster, you mentioned in your prepared statement that by giving the Secretary of Transportation authority to mandate antitheft devices in automobiles at the time of manufacturing, that we could reduce so-called casual thefts.

Will the reduction of casual thefts or the inclusion of more sophisticated antitheft devices impact on your ability to concentrate on organized crime's efforts in this particular area?

Mr. WEBSTER. I believe that my statement in response to that question was directed more to the total problem of combating auto thefts. We have 366 single car cases in the Federal investigative program, compared with over 600 car theft rings. That is our focus.

I can't say that it will increase our ability to combat organized crime. It will certainly, combined with State and local law enforcement efforts, make it more difficult, considering the anti-theft devices, make it more difficult to steal cars casually and thereby relieve certain investigative resources that are now spent locally in that effort.

Other regulations that might deal with numbering and identification of parts will unquestionably assist us in investigating chop shop operations which are increasingly associated with organized crime involvement, either directly or through tribute.

Senator SASSER. The question may have been asked so I will ask it at the risk of repeating it. Does the FBI have a specific task force or unit assigned to investigate the chop shop operations?

Mr. WEBSTER. No.

Senator SASSER. Is it advisable to have such a task force or special unit?

Mr. WEBSTER. We have some modest coordination at headquarters in an effort to gather data and understanding of how these operations work. We coordinate a number of investigations under our organized crime efforts and also in our general property crimes program.

The undercover operations, which we are currently targeting against the chop shops associated with organized crime are managed in the field offices and coordinated at headquarters following a review of the proposal by our Undercover Review Committee.

When we consider that the field resources available are just slightly over 2 percent of our total resources, I believe that is probably the best way for us to approach it. But we are extremely interested in following the studies and efforts of various law enforcement agencies and foundations and organizations to know as much as we can about the operation of chop shops.

Senator SASSER. Thank you very much, Mr. Webster. I have no further questions, Mr. Chairman.

Senator NUNN. Senator Biden, we would be delighted for you to make a statement.

Senator BIDEN. Thank you very much, Mr. Chairman. I really do appreciate the committee giving me the opportunity to testify today. If I may make a statement that goes, an introductory statement that goes beyond the scope of these hearings, Mr. Chairman.

Senator NUNN. Do you want to ask Director Webster any questions, or any other questions we might ask him? I know he has got a schedule to meet.

Senator BIDEN. Why don't I ask the question then? I have several but I will narrow it to one question and then maybe I can make the comment I was going to make.

Senator NUNN. Fine.

Senator BIDEN. Director Webster, Senator Percy, and the chairman of the committee, Senator Nunn, and I imagine every member of this

committee, have been focusing more and more as I have in the Criminal Law Subcommittee on organized crime generally. Senator Nunn and I have agreed to a joint, hopefully, major effort on the Hill here to discuss and to try to bring some light, shed some light on international drug trafficking and organized crime.

One of the things, in spite of the fact I thought I knew a little bit about this subject matter before the hearings began and in concert with Senator Percy drafted the bill in question, I have not been attending the hearings because of the Judiciary Committee, but I have been perusing them and getting some reason of what has been said and reading the newspaper accounts.

In spite of the fact I thought it was a major problem and I put out along with Senator Percy when we introduced the bill the numbers and the billions of dollars we are talking about, the graphic display that has been brought forward here exceeds even what I anticipated the problem to be.

My primary question is, Is organized crime to the point that they are about to consolidate their efforts in this area and the entrepreneurs that we saw here, who were not part of organized crime, who were making tens of thousands of dollars according to their own sworn testimony, is there any evidence that organized crime, whenever there is a clear area where a great deal of money can be made, they show a great ability to move into that area fairly rapidly?

They are already in this area. Is there any indication they are moving more into it and taking over the entrepreneurs and, if so, does that make your job harder or easier?

Mr. WEBSTER. The movement has been associated with some degree of violence.

Senator BIDEN. Some degree of what? I beg your pardon.

Mr. WEBSTER. Violence, deaths of people who resisted, the increase of demands for tribute and actual financial investment in these operations.

The presence of organized crime always adds to the difficulty because of the experience, sophistication, the resources and the special problems that come to us in dealing through informants and undercover agents with the issue of violence.

So it does complicate the problem but that does not mean we should shy away from it. It seems to me all the more reason for us to bring to bear whatever tools the Congress can make available to us.

Senator BIDEN. The reason I ask the question is obvious to a man of your background. And that is the legislation that Senator Percy and I drafted and this committee has been paying so much attention to and will eventually have, hopefully, in my opinion, seek its legislative outlet, that is, be reported out of a legislative committee to the floor to be passed, really—although I think and I have partial pride of authorship—is not insignificant but it should not be overstated what it is.

What are we doing here in this legislation? We are essentially identifying parts of automobiles to make it easier to identify them when they are chopped up and spread out, which I think is significant. I don't think that is a minor thing. And we are slowing down the rate at which it takes, hopefully, the rate of time that it takes someone

to steal an automobile, hopefully, by these devices with regard to entry and starting the automobile.

But a determined organized ring of thieves will be slowed, will require more imagination, but it will probably not be stopped by this legislation. It is not going to bring it to a screeching halt, as much as I like to think it would.

Because of the scope of the legislation, it gives you Federal jurisdiction, which is an important adjunct, because of the scope of it being limited by definition, is there anything in light of the direction this auto theft seems to be going up and to organized crime, both, up in volume?

The State of Tennessee and the Sunbelt are not unique, unfortunately. We are a border State in Delaware. We do not qualify as a Sunbelt. As winter approaches I wish we were. But we are up 40 percent this year, 40 percent increase, and I look at the figures for around the Nation and it's a little out of line but it is not too out of line.

Now, is there anything that you, the FBI, need that is not encompassed in this bill and my introductory comment to the question was to not suggest we intended to cover it all. Is there anything that this committee and the Criminal Law Subcommittee should be doing in order to give you additional powers, jurisdiction that would in any way, in your opinion, beyond this bill help in this effort to deal with both the direction this is going and the personnel who seem to be involved in the crime.

Mr. WEBSTER. Senator, I think the bill uniquely touches most of the bases that have occurred to us as ways to increase not just our jurisdiction but the investigation tools to keep the thing manageable.

[At this point Senator Cohen entered the hearing room.]

Mr. WEBSTER. You have expanded definition of securities to include titles so that the titles become securities. Now we can reach the title, if it is the title they are transferring and not just physical movement of the automobile across State lines.

You have touched on the requirement of the manufacturer. That will have the ability to make the cars more safe from theft, more secure.

If the insurance industry, which is intimately involved in the process, will accept some responsibility or be required to accept responsibility to make sure they are insuring validly titled automobiles there, again, is more help to us.

The application of the RICO statute gives us a much heavier weapon. We still can investigate basically the same automobile thefts but the penalties are more severe, the ability to have the industry forfeited or the assets forfeited is the type of tool we have to have really to reach organized crime. So I have no additional suggestions to make because I am impressed that you have in a very logical way, without expanding our jurisdiction beyond our ability to deal with it, offered to give us or proposed to give us important tools that will help us keep the thing under control.

Senator BREN. I appreciate that. The one thing I don't want to do and I am sure Senator Percy doesn't want to do nor the committee or anyone in the Congress these days, we don't want to pass legislation that will cost the consumer more money. This will cost more money. We don't want to pass it unless there is a pretty good idea, a pretty

good certainty that there will be a requisite benefit from that and on that balance, if you will, that balance we must all apply, is it your opinion that the net effect will be, and I realize you are not from the automobile industry or anything else, are we required to speak for either business or the consumer, but on balance do you think this will give you additional tools that will be able to have a real impact, not wipe out auto theft, not wipe out organized crime, but a real impact, it is not a marginal thing. Do you believe that?

Mr. WEBSTER. Yes, I do.

Senator BIDEN. Thank you very much, Director Webster. I don't have any more questions and at the appropriate time I would like to make another comment.

Senator PERCY. I have just one question and then I would like to excuse myself for a few minutes. Also Senator Cohen has come in.

I would like to reread a sentence from your own testimony, Judge Webster, on VIN numbers:

If, as proposed, this same regulatory authority were used to order the placement of vehicle identification numbers on the major components of new cars, "chop shop" operations could no longer deal in unnumbered, untraceable parts. And although removal of the number might conceal the vehicle's original identity, this itself would draw suspicion, and would be a crime under S. 1214.

In the Justice Department letter, Assistant Attorney General Parker has indicated that:

The lack of adequate identification numbers on certain crash parts of the automobile has been a contributing factor in the proliferation of the chop shop. Hence, it has been extremely difficult to obtain sufficient evidence to establish that such parts were stolen and that the defendant knew them to be stolen.

Next he speaks to the concern that Senator Biden and I have expressed about burdensome recordkeeping, paperwork, and all that. He specifically says:

Too much recordkeeping is as bad as no recordkeeping. Having dismantlers and body repair shops keep proper records will be sufficient to maintain an enforceable audit detail.

This committee is responsible for regulatory form. We are trying to minimize paperwork. The Justice Department outlines the system: New cars are numbered and those numbers will stay with the parts for as long as the parts exist. If a part is removed from that particular car and placed on another, the police could simply query the computer to determine if it came from a stolen vehicle. A car part may receive a new replacement part, which the manufacturers would identify as such. The police would be able to instantly tell whether the part came from a stolen car or a legitimate dealer.

There is no need for department of motor vehicles officials to keep any additional records.

My final question would be, how would the placement of VIN's on body parts aid in the prosecution of chop shop operations?

Mr. WEBSTER. Would you give me the last part?

Senator PERCY. How would the placement of VIN's on body parts aid the prosecution of chop shop operations?

Mr. WEBSTER. What is the word, VIN's?

Senator PERCY. Vehicle identification numbers.

Mr. WEBSTER. I wasn't familiar with the abbreviation. I agree with the Justice Department on excessive recordkeeping. But by having the VIN on the component parts you now have an identified part which

may be different from the identification number on the original car. This permits us then to trace and to inquire as to the origin of those parts. However, when you are talking about numbering replacement parts in some new way then, again, we would come back to simply saying that by putting some kind of an "R" or logo on them would be the most help that we would require. And I think that position is consistent with the Justice Department's position—a simple method of flagging the presence of a replacement part is probably the most effective thing we can do.

Senator PERCY. In this area, Mr. Chairman, every single witness, including law enforcement officials from Ohio, Kentucky, Chicago, New York, and three thieves who specifically said that they wouldn't have gone into auto theft if numbers were on the parts, as it would greatly increase the risk. In the latter part of today's hearing we will seek the counsel of the automotive industry. But the evidence seems overwhelming that numbering should be begun.

Just one last area, Senator Nunn and I will be leading this subcommittee in hearings on organized crime and narcotics. We will be probing whether or not we have removed one of the strongest impediments to illicit activity in enacting the Tax Reform Act of 1976. Capone covered himself completely in every respect except his tax records. He would never have been jailed without the aid of IRS.

One 27-year-old young man testified that he was making \$350,000 in tax-free income year after year. If there was a way to protect individual rights but still give IRS back the ability to aid us in investigating organized crime, is this something we should look at in this area as well?

Mr. WEBSTER. I hope, Senator, very much that you will look into it. I know that methods can be devised to protect the privacy interest of individuals, but it has always troubled me that one agency charged with investigating criminal activity is precluded from furnishing information they have found to other agencies which have the primary jurisdictional responsibility for the evidence that is uncovered.

We are all one Government and there ought to be a way to protect privacy without making the agencies of enforcement of our laws go off in different directions.

Senator PERCY. This information sharing would strengthen the repertoire of law enforcement officials who many times seem to have their hands tied behind their backs. The need for sharing is obvious in narcotics cases, involving billions of dollars.

Thank you very kindly.

Senator NUNN. Thank you, Judge Webster. We appreciate you being here.

[The documents referred to were marked "Exhibit Nos. 28 and 29" for reference and follow:]

EXHIBIT No. 28

U.S. SENATE,  
COMMITTEE ON GOVERNMENTAL AFFAIRS,  
SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,  
Washington, D.C., September 21, 1979.

HON. BENJAMIN R. CIVILETTI,  
Attorney General of the United States,  
Department of Justice,  
Washington, D.C.

DEAR MR. ATTORNEY GENERAL: The U.S. Senate Permanent Subcommittee on Investigations will soon be holding hearings on professional motor vehicle theft

and so-called "chop shop" operations. In part, these hearings will touch on key provisions of the Motor Vehicle Theft Prevention Act of 1979 (S. 1214). As you know, this bill was carefully drafted after 3 years of study by the Interagency Committee on Auto Theft Prevention, headed up by the Justice Department. Because S. 1214 reflects certain changes of the Interagency Committee draft legislation, we would like to know the Department's views on the revised bill.

Additionally, we would like the Department's views on the need to place vehicle identification numbers on component parts of new motor vehicles. Also, on the need to place numbers on major parts installed during the life of the vehicle and supplied by body repair shops, for example.

Finally, what guidelines would you envision for Federal Bureau of Investigation enforcement of title III provisions and subsequent prosecution by the Justice Department of title III and IV violations.

Again, we appreciate your assistance. The efforts of Mr. Stephen M. Weglian, attorney, Criminal Division, has been particularly outstanding and most helpful to the subcommittee. You should be very proud to have a person of his caliber in the Justice Department.

Sincerely,

SAM NUNN, *Chairman.*  
CHARLES H. PERCY,  
*Ranking Minority Member.*

EXHIBIT No. 20

DEPARTMENT OF JUSTICE,  
Washington, D.C., November 26, 1979.

HON. CHARLES H. PERCY,  
*Ranking Minority Member, Senate Permanent Subcommittee on Investigations,  
Committee on Government Affairs, U.S. Senate, Washington, D.C.*

DEAR SENATOR PERCY: This is in response to the letter to the Attorney General dated September 21, 1979 from Senator Sam Nunn and yourself concerning your request for our views on S. 1214 and several other questions raised therein.

The Department of Justice fully supports the enactment of S. 1214, the "Motor Vehicle Theft Prevention Act of 1979." We find that the modifications made to S. 3531 of the 95th Congress by S. 1214 are improvements which generally meet with our approval. We are attaching for your information a copy of the letter we have sent to the Senate Judiciary Committee concerning S. 1214.

The Department of Justice has long recognized and supported the need to place additional identification numbers on certain major components of new motor vehicles in order to help curtail the growth of "chop shops" and professional theft rings. The lack of adequate identification numbers on certain crash parts of the automobile has been a contributing factor to the proliferation of the "chop shop." Once these crash parts have been removed, it is usually impossible for law enforcement to identify from which the vehicle they were taken. Hence, it has been extremely difficult to obtain sufficient evidence to establish that such parts were stolen and that the defendant knew them to be stolen.

Under the concept for component identification presently most prevalent, it is believed that once a selected component has been given an identification number by the motor vehicle manufacturer, such component should retain that same identification number for the remainder of its existence. New parts which are manufactured to replace any component part required to carry an identification number when the motor vehicle was originally manufactured do not have to have an identification number assigned to them. However, it is desired that such a new replacement part be "branded" in some fashion to indicate it is a "new" part. This is necessary in order to distinguish between "used" (previously numbered parts which were on a vehicle at the time of its original manufacture) and "new" replacement parts.

Under this approach a body repair shop, or anyone for that matter, would not have to do anything to the part in terms of its "identification." If a "used" part is utilized in the repair of a vehicle, such part will continue to have the number previously affixed to it by the vehicle manufacturer. If the body repair shop utilizes a new part, such part will carry a symbol of some sort that the part is new, e.g., the letters "NRP" standing for "new replacement part." The body repair shops and others who deal in used or new parts should indicate on their bill of sale or invoice whether the part was used or new and, if used, should further include the part's identification number.

At this time we see no need for the actual numbers on the various numbered parts of a repaired vehicle to be recorded in the records of a state Department of Motor Vehicles nor to be reflected on the motor vehicle title itself. In fact, if the latter were to be required by a state, it would almost certainly engender serious adverse consumer reactions that could defeat the purpose of the component identification concept for that state. Too much record-keeping is as bad as no record-keeping. Having the dismantlers and body repair shops keep proper records will be sufficient to maintain an enforceable audit trail. We are enclosing for further background information a memorandum we have prepared entitled "Talking Paper II—Component Identification Revisited—An outline of various factors to be considered in requiring identification numbers on major motor vehicle components."

The Department is continuing its review of its prosecutive guidelines for violations of the Dyer Act (18 U.S.C. 2311-2313). These modifications will be the result of extensive consultation with law enforcement officials across the nation. In terms of Title III violations under S. 1214, when enacted, it is anticipated that most of such matters will involve significant interstate ring activities for which the guidelines encourage prosecution. Title IV violations relating to the exportation of stolen cars may be either ring or individual types cases. As far as they are ring cases they will, consistent with available resources, be pursued at the federal level in cooperation with the relevant local authorities. And to the degree that they are individual cases they qualify as "exceptional circumstances" for which prosecution is desirable. To the extent that the local authorities cannot prosecute in such situations, federal prosecutions will be possible. Moreover, the Department is continuing its review of resources devoted to motor vehicle theft violations.

We trust that the information provided herein will be of benefit to your Subcommittee.

Sincerely,

ALAN A. PARKER,  
Assistant Attorney General.

Attachments.

DEPARTMENT OF JUSTICE,  
Washington, D.C., November 26, 1979.

HON. EDWARD M. KENNEDY,  
Chairman, Committee on the Judiciary,  
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I am writing to proffer our views on S. 1214 which is entitled the "Motor Vehicle Theft Prevention Act of 1979."

S. 1214 is based upon S. 3531 of the 95th Congress. S. 3531 was submitted to the Congress for its consideration by this Department on September 6, 1978. The various modifications made to S. 3531 by S. 1214 are improvements and generally meet with the approval of this Department. We do, however, have three suggested changes which we will make reference to later in our report. We have attached hereto a memorandum which details the differences between these bills. An identical version to S. 1214 has been introduced in the House (H.R. 4178) and at this time it has over 45 cosponsors. We are in agreement with the section by section analysis of S. 1214 as set forth in the attached reprint of the Senate Congressional Record.

Basically, the changes made by S. 1214 to S. 3531 consist of (1) an improved articulation of the findings and purposes of the legislation; (2) the imposition of time limits for the implementation of the regulations required under the bill relating to component identification and unauthorized starting of the motor vehicle; (3) the removal of the possibility of seizure and forfeiture of motor vehicles and motor vehicle parts in two limited situations where their required identification number has been removed, obliterated, tampered with or altered; and (4) expansion of the scope of the study relating to the theft of off-highway vehicles used in the construction and farming industries.

There are three areas in Title II of S. 1214, however, where we would recommend change. They are:

1. Section 202(b) (2) and (3) state that the Secretary of Transportation must take into account in the proposed and final standards certain specific ongoing technological developments. While we believe that the specific technological areas cited should be fully considered, we are apprehensive that focusing the rulemaking process by statute on specific technology could predetermine the result and undermine the whole program. Accordingly, we recommend that section 202(b) (2) be amended to read:

"(2) the proposed rules concerning the prevention of the unauthorized starting of the motor vehicle and the theft of motor vehicle parts shall take into account ongoing technological developments."

Section 202(b)(3) should then be deleted and paragraph "(4)" should be renumbered paragraph "(3)". The specific technological areas presently cited could then be set forth in the section-by-section analysis of the bill. This approach would accomplish the purposes of the provision without unduly prejudicing the rulemaking process.

2. In Section 202(a) of the bill there is reference to several specific groups with which the Secretary must consult closely in exercising his authority. While each of the specific groups mentioned should be consulted there are undoubtedly others. Accordingly, we recommend that Section 202(a) be amended to read in relevant part:

" . . . , the Secretary shall consult closely with the Attorney General, the law enforcement community, the insurance industry, the motor vehicle manufacturers, and any other groups and individuals interested in or affected by the motor vehicle theft problem."

Of course, the specific groups now listed as well as other equally capable groups could be set forth in the section-by-section analysis of the bill.

3. Finally, we believe in the section-by-section analysis of Section 201 of the bill it would be advisable to use appropriate language to show that the cost/benefit analysis that the Secretary must make is one of judgment and that an absolute conclusiveness for his determination is not required, if such were indeed possible, in such an area where the various contributing factors to motor vehicle theft are not humanly controllable and are constantly changing.

Motor vehicle related theft is a serious national crime problem. Thefts of the motor vehicle, its contents and its accessories accounted for over 45 percent of all larcenies reported to law enforcement in 1978. The combined costs to the public attributable to these thefts approached \$4 billion in 1978. Of course, all of us as consumers and taxpayers must bear the costs of these vehicle related crimes. Motor vehicle theft has over the past decade evolved more and more into a professional crime. While juveniles arrested for motor vehicle theft still constitute more than 50 percent of those arrested, the juvenile participation rate has been declining. In fact, the solution rate itself for motor vehicle theft has declined from 24.3 percent in 1977 to 16.3 percent in 1978. This represents a decline of 33 percent. Moreover, the value recovery rate of 86 percent of all stolen motor vehicles in 1967 has dropped to 61 percent in 1978. These statistics clearly indicate that professional thieves have increasingly entered into the stolen motor vehicle area of crime. Especially alarming is that the initial crime reports for the first six months of this year show a national increase in motor vehicle theft of 13 percent over the corresponding time period of 1978. Some cities are experiencing increases of over 40 percent this year. The increase is reflected in all geographical areas, north, south, east, west, urban, suburban and rural.

The enactment of S. 1214 will provide government with important new tools and weapons in its fight against professional crime. The Department of Justice urges prompt passage of this legislation.

The Office of Management and Budget advises that the enactment of this legislation would be consistent with the objectives of the Administration.

Sincerely,

ALAN A. PARKER,  
Assistant Attorney General.

Attachment.

COMPARISON BETWEEN S. 3531 AND S. 1214 "MOTOR VEHICLE THEFT PREVENTION ACTS"

S. 3631 (95TH CONGRESS)

This bill was submitted to the Congress on September 6, 1978 by the Department of Justice. It was introduced by Senators Biden, Percy, and Thurmond in the Senate on September 27, 1978. It expired when the 95th Congress adjourned. It was identical to H.R. 14252 introduced by Congressman Green on October 5, 1978.

## S. 1214 (90TH CONGRESS)

This bill was introduced on May 22, 1979, by Senators Biden and Percy. It is identical to H.R. 4178 also introduced in the House on May 22, 1979, by Congressman Green and 23 other co-sponsors. Since then H.R. 4178 has acquired over 20 additional co-sponsors in the House. The bill represents a rewrite of S. 3531 by the staffs of Senators Biden and Percy and Congressman Green in consultation with the Department of Justice. A title by title analysis of the changes made to S. 3531 by S. 1214 follows.

## TITLE I—FINDINGS AND PURPOSES

In general, S. 1214 retains all the findings and purposes of S. 3531. It rearranges their order and makes some linguistic changes. It places a greater stress on the organized crime aspect of the motor vehicle theft problem. In particular, it adds a new paragraph (f) to Section 101 relating to the theft of farming and construction equipment. It highlights in paragraph (h) of Section 101 the need for the insurance industry to improve its procedures. It adds a new paragraph (m) in Section 101 relating to an increase prosecutive emphasis for motor vehicle theft violations.

## TITLE II—IMPROVED SECURITY FOR MOTOR VEHICLE AND MOTOR VEHICLE PARTS

*Section 201* This provision was changed in S. 1214 to specifically require the Secretary of Transportation to issue anti-theft standards instead of merely permitting the issuance of such standards. Also, the word "consumer" was added to line 14 in order to clearly show it was consumer time and consumer inconvenience which the Secretary had to take into account.

*Section 202* This section is all new. It requires consultation with the law enforcement community in the promulgation of the anti-theft standards. It imposes time limits on the issuance of the regulations and it requires a careful examination of ongoing technological developments in the design of such regulations.

*Section 203* This is new. Although the National Traffic and Motor Vehicle Safety Act of 1966 had a federal preemption provision, it was felt that such was not quite adequate to deal with the component part numbering aspect.

## TITLE III—ANTI-FENCING MEASURES

*Section 301* Significant changes were made to the corresponding provision in S. 3531. First of all, two exceptions were created to the statutory right of seizure. They were in those situations where a part whose number had been removed or falsified had been attached back to a vehicle of an innocent purchaser of such part and where the vehicle or part, having lost its original number applied by the manufacturer, had had a replacement number applied in accordance with appropriate laws. It was never intended to permit seizure in the latter situation and the new language makes this clear. The former exception is intended to ease the burden on a person who has his car repaired and, unknowing to him, the repairman uses stolen parts with falsified or removed identification numbers to fix it.

Another major change is that instead of the mandatory seizure called for under S. 3531, the provision now permits a discretionary use of such authority. The final major change is the incorporation by reference of the custom law's procedures for the disposal of any seized motor vehicles or parts.

*Section 303* This change to present 18 USC 2313 was not in S. 3531.

## TITLE IV—IMPORTATION AND EXPORTATION MEASURES

The only change in this title is that the term "motor vehicle" in S. 3531 has been replaced by the term "self-propelled vehicle." This does not change at all the scope and coverage of the title.

## TITLE V—REPORTING REQUIREMENTS

*Section 501* S. 1214 expands upon the scope of the study. It changes the term "off-road motor vehicle" to "off-highway vehicle." It adds three new subpara-

graphs to the study (i.e. 13-15). It changes the definition of "off-highway vehicle" to exclude those components which are not pushed or towed by a self-propelled vehicle.

*Section 502 S. 1214* increases the number of annual reports to Congress from 5 to 10 years. It was felt that this extended period was necessary to fairly judge the Act's effectiveness since the requirements of Title II will not show up in manufactured motor vehicles until 4 or so years after the enactment of the legislation. After which, it will take several additional years of such new vehicles to materially affect the total vehicle population.

U.S. DEPARTMENT OF JUSTICE,  
Washington, D.C.

TALKING PAPER II—COMPONENT IDENTIFICATION REVISITED

(An Outline of various factors to be considered in requiring identification numbers on major motor vehicle components, May 1979)

PREAMBLE

In March 1978 the Department issued its initial "Talking Paper" on this subject in hopes of focusing discussion for those groups seeking or which would be affected by motor vehicle major component identification. With the passage of time and the insight gained from various dialogues it is necessary that our "Talking Paper" be updated. We remain convinced that component identification is an essential aspect of the coordinated effort needed to entail the growing motor vehicle theft problem. It will not only help to diminish the "chop shop" aspect but it will also seriously hinder the professional thief's ability to dispose of the entire vehicle because of the additional numbers which must be altered to successfully change the identity of the stolen motor vehicle. In March of 1978 we estimated the added cost to the consumer for the additional numbers required to put on an automobile by its manufacturer to be less than \$5.00 a vehicle. While our estimate is admittedly based upon a scarcity of available cost information, we have seen no new information in the past year which would cause us to alter our earlier estimate. Several states (Illinois, Michigan, New York and Ohio) are presently considering legislation which would require component identification. The United States Congress has before it legislation entitled the "Motor Vehicle Theft Prevention Act of 1979" which would also result in component identification (H.R. 4178 formerly H.R. 1955 and S. 1214.) In order for there to be component identification under the Federal legislation presently before Congress, the Secretary of Transportation would have to find that such a measure is cost beneficial. When the monetary costs of auto theft which have been initially analyzed in the Arthur Little Study entitled "Vehicle Anti-Theft Security System Design" and the cost information being developed in the congressional hearings on the "Motor Vehicle Theft Prevention Act of 1979" are fully available, there is little doubt that component identification will be found to be cost beneficial.

A. NATURE AND CHARACTER OF THE COMPONENT IDENTIFICATION NUMBER

Basically, it is most desirable if the number utilized for component identification is the same as that required for the vehicle identification number (VIN) under U.S. Department of Transportation Federal Motor Vehicle Safety Standard No. 115. (i.e. 17 characters). However, for some methods of application by the manufacturer (e.g. stamping and laser marking) requiring all 17 characters could be difficult and costly. Accordingly, it may be necessary to make use of the VIN derivative for some components. At present we believe that the VIN derivative should be sections one and three of the full VIN. This would make the derivative 11 characters in length and provide for absolute uniqueness. It is also conceivable that section three alone of the VIN, which consists of eight characters—representing the model year, assembly plant and six character sequential—could serve as the derivative. The benefits and detriments of each version of the derivative will have to be closely examined. If the manufacturer uses a self-destructive "sticker" to affix the component identification number, there is

little reason to justify not utilizing the full VIN. The reason for the full VIN, of course, is the ease in identifying the vehicle from which the component came. If the use of a derivative for a certain component is necessary, it would seem desirable, for national consistency purposes, that all motor vehicle manufacturers use the derivative for making that particular component.

Finally, should the manufacturer use some form of a "sticker" to affix the component identification number, we see no reason why the sticker cannot be used to carry additional information for other purposes (e.g. manufacturer's certification label on driver's door; engine tune-up label on radiator core support; etc.) provided the sticker also contains the vehicle identification number to identify the component to which it has been affixed.

#### DURATION OF THE COMPONENT IDENTIFICATION NUMBER

The number affixed to the component by the vehicle's manufacturer should remain with the component until such component is destroyed in its entirety. This number should not be affixed to any replacement for the component. (Of course, any component which lost its identification number could have its number restored. See Part G infra.)

#### C. TYPES OF VEHICLES COVERED

1. Each automobile should have the component identification number affixed to the components specified in Part B(2) infra.
2. The components requiring identification numbers for other motor vehicles will have to be decided by the characteristics of that vehicle.

#### D. MANNER OF APPLICATION

The component identification number should be permanently affixed by riveting, welding, impressing, stamping, burning, or some other equivalent permanent manner such as the use of an adhesive material which is tamper proof and self-destructive if the material is removed. It is realized that a number applied by a self-destructive adhesive material as well as one applied by riveting or welding, while adequate to prevent the accidental separation of such number from the component, may be more susceptible to being overcome by the professional thief than other methods (e.g. laser marking or stamping.) However, the passage and enforcement of state and federal laws making it a crime to remove or tamper with such identification numbers and permitting seizure and possible forfeiture of any vehicle or component which has its identification number removed, obliterated, tampered with, or altered should significantly deter the intentional removal of any such number regardless of how it is affixed by the manufacturer. Moreover, it is expected that the motor vehicle manufacturers as well as their suppliers of materials utilized for component identification will undertake all necessary security measures to guard such materials from theft or loss.

#### E. LOCATION OF COMPONENT IDENTIFICATION NUMBERS FOR AUTOMOBILES

1. Generally speaking the components selected should be those which will primarily deter professional thieves who either resell the vehicle itself or cut it up for parts (i.e. "chop shop"). It should be a component which is standard to the vehicle at the time of original manufacture. The component should not be a part which will normally wear out during the life expectancy of the vehicle and have to be totally replaced. If the component as a "crash part" and it has to be replaced, then it should be one which normally would not be rebuilt and would be discarded as scrap.

Once the components to be numbered have been selected, the manufacturer should be allowed some flexibility as to where, how and when to affix the number to that component during the assembly process. Of course, the location chosen should not be such that the normal use of the vehicle would expose such number to full or partial destruction. Nor should the exact location be such that it is not subject to easy inspection. We presently contemplate that actually none of the component identification numbers would be visible to a normal observer of the

vehicle when its doors, hood and trunk were closed. (Of course the public VIN would be viewable through the windshield.)

2. A list of the components which we presently feel necessary to accomplish the purpose for component identification for automobiles are:

- (a) The engine;
- (b) The transmission;
- (c) Each door allowing entrance or egress to the passenger compartment;
- (d) The hood;
- (e) The radiator core support of the front end assembly;
- (f) Each front fender;
- (g) The deck lid, tailgate, or hatchback (whichever is present);
- (h) The trunk floor pan;
- (i) The frame or, in the case of an unitized body, the supporting structure which serves as the frame; and
- (j) One additional confidential location selected each year by the manufacturer with notification to law enforcement of the exact location.

3. Items a, b, c, d, and g are already assembled items having special value to a thief. Items e and f make up the major portion of the front end assembly of the vehicle which has its primary value to the thief as a complete unit. Item h, when combined with item g, covers the "rear clip" of the vehicle. The numbers are concentrated on the front of the car because those are the parts which are most lucrative and of primary interest to the thief since these parts are the ones most likely needed to be replaced as a result of a serious accident. As we see it, this would require basically seven more numbers (nine in the case of a four-door) than the manufacturers are presently putting on the automobile.

#### F. REPLACEMENT COMPONENTS FOR ORIGINAL COMPONENTS REQUIRING AN IDENTIFICATION NUMBER

1. "Used"—A "used" replacement component should bear the identification number affixed to such component by the manufacturer at the time it was assembled to the original vehicle from which it was removed.

2. "New"—A "new" replacement component made expressly for such replacement purpose should contain a permanent marking indicating it is a "replacement."

#### G. REPAIR OF DEFACED OR SEPARATED NUMBERS

If an identification number is defaced or separated from a vehicle component, it may be restored or affixed back thereto by an appropriate permanent and lawful manner. The Vehicle Equipment Safety Commission (VESC) is presently developing a standard entitled "Replacement Vehicle Identification Numbering System" for the states which also covered the replacement of the component part number.

#### H. RECORDKEEPING

We do not see the need to record the identification numbers of "used" motor vehicle components on any official document kept or issued by the State Motor Vehicle Department (DVM). We would expect the seller (i.e. body repair shop, dismantler, etc.) of any used part having an identification number on it to provide a bill of sale or invoice which lists the identification number of the used component. This bill of sale should be retained by the vehicle owner to the extent he keeps other similar records for purchased items. The loss of this record by the owner will not create any undue burden for law enforcement. Sellers of used parts having component identification numbers would keep appropriate records of their transactions as required by state law or DMV regulations.

It is contemplated that a scrap metal processor which receives as scrap any component having an identification number from a dismantler or repair shop which itself is required to keep reasonable records pertaining to such numbered components would not have to keep or generate very extensive records in regard to such purchase. However, if the scrap metal processor purchases such components as scrap from a non-licensed entity which is not required to keep appropriate records (e.g. a private individual) the scrap processor may be required, in this instance to keep a more detailed record of such purchase.

Finally, whenever a motor vehicle previously declared to be salvage is rebuilt, it is anticipated that more and more state DMVs will be requiring the individual

who seeks to retitile the vehicle to be able to show proof of legitimate purchase of any used or new major component utilized to rebuild the vehicle. As noted previously, however, there is no crucial need that the information contained in these bill(s) of sale be incorporated into the records of DMV itself or in any other centralized repository.

Senator NUNN. We will call our next witness now, Mr. Richard Schwein.

Senator PERCY. Our next witness, Richard Schwein, special supervisory agent, Property Crime Section, Federal Bureau of Investigation.

Mr. Schwein, would you be sworn in?

Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. SCHWEIN. I do.

**TESTIMONY OF RICHARD D. SCHWEIN, SUPERVISORY SPECIAL AGENT, PROPERTY CRIME SECTION, FEDERAL BUREAU OF INVESTIGATION**

Senator PERCY. Thank you. Would you be seated?

[At this point Senator Nunn withdrew from the hearing room.]

Senator PERCY. Do you have a statement?

Mr. SCHWEIN. Yes, Senator, I would like to discuss with the committee today a case which illustrates the difficulty we oftentimes have in making—

Senator PERCY. Mr. Schwein, may I interrupt you? Senator Sasser, would you be good enough to assume the Chair, please, and I will be back just as quickly as I can? Thank you.

Go right ahead.

[At this point Senator Percy withdrew from the hearing room.]

Mr. SCHWEIN. This case illustrates the difficulty we often have in making a case in which we can sustain prosecution when dealing with stolen automobiles which are cut into component parts.

The case started in December 1976. Troopers of the Missouri State Highway Patrol stopped two auto transports on an interstate highway near St. Louis. These carriers were both loaded with the rear clips, that is the sections of automobiles from the firewall to the trunk, with doors and miscellaneous other auto parts. The trooper's suspicions were initially aroused when he noted all the parts on the truck were new and shiny. They showed no signs of damage or having been in a wreck. It did not meet in appearance what you usually would see in truckloads of auto parts.

The trooper stopped the trucks, talked to the drivers who initially told the trooper they didn't know where they were going or what they had on their trucks or where they had come from. He looked at the parts on these trucks and through a cursory examination found that the vehicle identification numbers had been stripped, the emission standards stickers on the doors had been stripped and all the locks from the trunks and doors had been punched out making it almost impossible to identify where these parts or cars came from.

The drivers finally told the troopers they were taking these parts from Blue Island, Ill., from Keystone Auto Parts owned by one

Timmy O'Brien and were being shipped to a receiver in Grand Prairie, Tex.

The trooper, in looking through one of the cars, found a slip of paper, actually a post office attempt to deliver mail, such as a postman leaves at your house if you are not home. The trooper went to a phone booth and called Chicago information, got hold of the addressee and asked him if he owned a 1975 Cadillac. The man said yes, he did but it had been stolen a month ago. At this point, the loads were detained, FBI agents were called in because of the interstate transportation aspects and the process of examining these auto parts began.

We were fortunate in one case the VIN remained intact. The NCIC was queried and that car was immediately identified as stolen. And part of the emission sticker, that is the sticker put on the door was found intact on another car and we were able to restore that number. That was run through the NCIC and it, too, was discovered to have been stolen in Chicago.

In total, there were 19 rear clips and two front ends on these two trucks. They represented approximately \$100,000 worth of automobiles. Cut into parts, they would probably have brought probably \$35,000 to \$40,000 profit.

We began examining these parts to see if we could find anything to identify them. We found, in going through the rear clips under the seats, the carpeting, items such as a Barbie doll, pens with names on them, ballpoint pens, the various pieces of paper for owner-installed options such as air shock absorbers, fancy mirrors, things of this nature.

FBI agents and Chicago police began pulling all of the theft reports they could to try and match the theft reports against the descriptions of the front and rear clips contained on the trucks. We succeeded in making seven more identifications. These were made either by personal items found in the vehicles or by owner identification from scratches or marks, something the owner knew existed on his car.

The investigation was presented to the U.S. attorney in St. Louis. We first found, of course, we could not prosecute under 18 U.S.C. 2312 or 13, interstate transportation of a stolen motor vehicle because in fact these parts were no longer a motor vehicle. So we had to proceed under the interstate transportation of stolen property statute which required in part that the property be worth \$5,000 or more and transported in interstate commerce.

The U.S. attorney's view was that the owner identification would be very weak and would most likely not hold up in court. Therefore, we were left with two identifiable clips, rear clips which might have totaled \$7,800 in value. If either one of these had been stricken out, we would have been under the minimum. Therefore, the U.S. attorney stated that he would not prosecute in this case and the investigation was closed.

The sole thing we accomplished was, of course, the recovery of the auto parts.

Senator SASSER. Thank you. What parts had been stripped of identifying numbers in this truck that was stopped loaded with parts and how had this been accomplished?

Mr. SCHWEIN. Automobiles have a vehicle identification number, Senator, which ordinarily is affixed under the windshield by the steering wheel. That had been removed. The emissions sticker, the Federal emissions sticker on the door had been scraped off. That also contains the number.

Of course the engines and transmissions were gone. We were dealing here with the sheet metal parts of the automobile. Also the thieves were careful to scrape off gasoline service station stickers—anything which might contain information which would lead to the ownership of that motor vehicle.

Of course the remaining sheet metal parts, that is the doors, the trunks, the hoods, contain no identification numbers at all.

Senator SASSER. How could you affix identification numbers to all of those parts? What are the parts to which you need identification numbers affixed?

Mr. SCHWEIN. The most common parts trafficked in are those used to repair a car which is heavily damaged in an accident. That would be the trunk, the decklid on the trunk, the front and rear fenders or the rear clip of the car. That is the door section, the door and roof section from the engine back. This is where the money is in stolen car parts, most commonly needed parts.

Senator SASSER. On a four-door sedan, are we talking about putting identification numbers on all four doors, on the two front fenders, the hood, and the trunk?

Mr. SCHWEIN. Well, I believe there are several studies, I believe the Secretary of Transportation will be charged with the responsibility of determining where the numbers would be affixed. We feel the numbers should be on the major parts, which would include the decklid, the doors, and the fenders; yes.

Senator SASSER. There presently are numbers on the engines and on the transmissions, if I am not mistaken.

Mr. SCHWEIN. In many instances, yes.

Senator SASSER. Has that been helpful in identifying stolen engines or stolen transmissions?

Mr. SCHWEIN. Yes; if we recover an intact car, if you are dealing with a car theft ring that takes automobiles and does not chop them but converts them by changing numbers and retitling, getting counterfeit documentation, this is a very good method of identification.

In chop shop operations, the sheet metal is removed and ordinarily the transmissions and engines will be destroyed, they have no use for them.

Senator SASSER. Senator Cohen, do you have any questions?

Senator COHEN. Is it the current law that there is a presumption of auto theft if the VIN has been removed? I think you indicated in all of these cars, portions, the clips, that the numbers were missing.

Is there a presumption they are, therefore, stolen?

Mr. SCHWEIN. No, sir. We have to prove interstate transportation at this point. That would be an indicator to us but the law does not cover, the Federal law does not cover the removal of the numbers themselves.

Senator COHEN. Do you think that should be changed?

Mr. SCHWEIN. Yes.

Senator COHEN. In other words, assume a trooper stops a large convoy with parts of vehicles going on the highway and makes an investi-

gation and finds numbers have been taken off. Shouldn't there be a presumption of illegality at that point? Is there any legitimate use for a vehicle with a VIN missing?

In other words, in the common experience of mankind, isn't it a pretty good indication that this is stolen property?

Mr. SCHWEIN. Yes; it would be. I think the new proposed law addresses that issue and would require that numbers be affixed and they not be removed or altered, which would give us a violation—

Senator COHEN. Is the current system somewhat illogical, perhaps, in terms of the numbering? In other words, I think you indicated the engine, the transmission, they are discarded almost immediately because they have the identification numbers.

Is not the engine the more valuable part of the car? Wouldn't that be a more valuable part of the car than a rear fender or a rear door or the trunk?

Mr. SCHWEIN. I think at one time that was true and people did steal engines and transmissions.

[At this point Senator Nunn entered the hearing room.]

Senator COHEN. If you numbered the body parts and didn't number the engine, I assume the engine would be more valuable at that point?

Mr. SCHWEIN. It would be easier to dispose.

Mr. MARKS. If I may interrupt, Senator, State laws were passed in the late 1960's in Georgia and Tennessee requiring the stamping of numbers on engines and transmissions. As a result, the motor vehicle manufacturers began to number these parts on passenger cars. In recent years, they have started to put numbers on pickup trucks and heavy-duty tow trucks.

Senator COHEN. Do you feel VIN's can be attached in such a way that they cannot be easily removed?

Mr. SCHWEIN. Yes; there are several methods to do that, Senator. There is a laser method I have seen demonstrated; there are conventional stamping methods. There are permanent tapes.

Senator COHEN. In your judgment then, if we were to pass legislation which mandated the placing of VIN's on other parts of the car which currently are not numbered, in your judgment, would it contribute to a resolution of the problem?

Mr. SCHWEIN. Yes; it would certainly give us an effective tool to work with in attacking the chop shop problem.

Senator COHEN. I was going to say earlier to Mr. Webster and regret I didn't have a chance to question him, that it is my judgment, as long as we have with us Senator Biden, who I want to commend, along with Senator Percy for submitting legislation on this matter, all the VIN's in the world aren't going to change the present situation unless there is a change in attitude on the part of our judiciary and also on the part of our law enforcement personnel.

From the witnesses that I have listened to, it has become rather clear that somehow the whole system just goes along with the crime. The insurance companies pass along their loss. They pay off the car owner who has had his automobile stolen; they pay the loss; they then sell the car that has been wrecked for salvage instead of for junk, thereby contributing to the problem; they raise the premiums; they pass their costs on to everybody in the country. That is what I call the socializa-

tion of crime. Then we have the law enforcement personnel who aren't allowed to devote too much time to this matter, since they have other priorities. It gets to court. We had one witness who made \$150,000 or \$200,000 stealing and chopping cars. He spent about a year of weekends doing his jail time in California on the first offense and then he had 6 months as a result of a later conviction. We had described to us last week the gangland slayings in Chicago. One of the people who finally ended up being sentenced to jail got 5 years, but is now out operating an antique shop instead of a chop shop, at least that is, allegedly, what he is doing.

Here we have a multibillion-dollar crime going on in this country and I don't think, frankly, either our courts have not been tough enough or our law enforcement personnel have not been allowed to dedicate enough of their resources to solving the problem.

I think the VIN's will make a contribution to it and I intend to support the Percy-Biden bill when we finally consider it. But, I think, unless it is coupled with these other factors, it really won't change the situation. That is all I have, Mr. Chairman.

Chairman NUNN. Senator Sasser?

Senator SASSER. I have already asked my questions.

Senator Biden may have some questions.

Chairman NUNN. Senator Biden?

Senator BIDEN. Thank you, Mr. Chairman. I would like to note two things, if I may. One, I agree completely with Senator Cohen. That was part of the thrust of my question to Director Webster. I don't see this as the be all to end all. I just see it making it a little bit harder. It is worth the money it will cost to do it because it will have an impact. The question is how much impact.

I fully concur with Senator Cohen, the thrust of concern, at least among my constituents, as I go around the country and as the Criminal Law Subcommittee focuses on issues, people are more interested in violent crime. They are more interested in a purse snatcher and a mugger and a house burglar when you may be in the house than they are whether their car gets stolen, for many of the reasons that have been cited and others.

But I do think it is probably a useful direction, assuming it is cost effective. My question to you, sir, is, do you believe that there would be a material increase in your capability if this legislation were passed, capability to, No. 1, detect whether or not a crime has been committed and, No. 2, follow through on your suspicions to be able to build a case to present a U.S. attorney with in order to bring that person or those persons to justice?

Mr. SCHWEIN. Senator, I think it is the FBI's opinion and certainly my opinion this law will have a dramatic effect on increasing our capabilities to utilize the limited resources we have now to do a better job. At this point we could go into any salvage yard in the country, legal or illegal and we wouldn't know what we were dealing with. We would have no ability or authority to attack the problem. Under the new law, we would. I think it will dramatically increase our capabilities. It wouldn't end the problem altogether but it would help.

Senator BIDEN. I understand that. It seems to me one of the things that you all are strapped with is the very difficult, practical difficulties

associated, as you have outlined in the case you pointed out, with building a case that is tight, that can be done without it taking years and days and months and hundreds of hours of individuals' time.

For example, if those identification tags had been on all those parts, you would have spent one-tenth, one one-hundredths as much time as you did having to go back digging out Barbie dolls, pens, invoices for laundry, or whatever in God's name it was.

So it seems to me if we increase your ability, even if it may be marginal, if we increase your ability, your inclination to be involved is going to be greater. "Your" in an editorial sense. Prior to this job I was a defense attorney. I spent a lot of time on the other side of that aisle and a lot of time with prosecutors and police agencies.

The fact of the matter is they are all like all of us in this body. If they know that they are going to have to expend a great deal of time and the prospect of return is minimal, in terms of return on their time invested, they are going to tend not to spend their time on that, even though that is a major case such as you pointed out.

How many of the officers would have gone through the trouble of going through every one of the cars, finding that one tag, picking up the telephone, calling long distance to Chicago, getting the number when he knows or she knows that even if you get that information it is just a beginning of a long, long process in order to break this case.

So my hope is that this legislation will not have a tidal wave effect but a rippling effect. I hope that in addition to making it clearly easier to pursue, it will increase the inclination to pursue because the chance of succeeding is increased, therefore, your impetus to move forward is increased and if that is the case, the courts are going to have to be presented with a mounting prosecution list.

And the matter of it being isolated cases and someone becoming an antique dealer is not likely, or is less likely to occur.

I must say, this committee and the introduction of this legislation may have done more for vocational rehabilitation than anything we have done on the Hill today. It really is a very enticing prospect that we have inadvertently, I am being a bit facetious, educated a number of people in the community to realize you don't need a high school diploma to make a whole bunch of money. If we move in this direction, it diminishes that at least.

I would like to make one more comment and I promise I will not take any more of the committee's time in this hearing, Mr. Chairman. I really would like to compliment the staff of this committee. You have a really crack staff and they have the ability and you have the ability in this committee to do what the Criminal Law Subcommittee needs done but does not have the staff or wherewithal to do because it is a legislative committee and we can't devote our resources to purely investigative or primarily investigative techniques.

Second, I would like to thank you and the committee, the staff in particular, for sharing that information and cooperating fully with my staff and the staff of the Judiciary Committee. And I would hope that it becomes clear as this association continues to grow now that we each chair these committees, that we are going to, and you and I have discussed this at length, use each of our staffs, not precisely interchangeably, but as much in a collegial way as is possible to be done on

this Hill because we cannot get the job done in my committee without your ability here and all that you do here does not get results unless we move forward.

Chairman NUNN. That is right, exactly.

Senator BIDEN. So I really do want to compliment the professionalism of your staff. I have witnessed that and I also would like to compliment—one more thing: I would like to compliment your nonprofessional staff. I am delighted to be here from the Judiciary Committee. The reason I am avoiding the Judiciary Committee today and being up here is not just the interest in the legislation. It is such a nice atmosphere.

Down in the Judiciary Committee, we have one side, Strom Thurmond and Orrin Hatch, and the other side Ted Kennedy and Howard Metzenbaum. It is constant opposition in that committee. That is one reason I am delighted to be here.

Chairman NUNN. When you become the bridge between the two opposing philosophical positions, you sometimes get walked on.

Senator BIDEN. That's right, and I have footprints all up and down my back. I am delighted to be here and also the fact you have coffee in this committee. We don't get it in our committee. I am not sure that has to do with the contentious nature of the committee or the budget. But you also have—I assume it is free—I haven't been presented with a bill yet.

Senator COHEN. Will you yield?

Senator BIDEN. Yes, I will.

Senator COHEN. Going back to one of these particular problems, as one of the authors of the bill, could you look at the specific language that set out penalties for "whoever knowingly removes, obliterates, tampers with, or alters any identification for any motor vehicle or part thereof required under regulations"? Would you agree, perhaps, that we should consider amending the particular bill so as to take into account, in the legislation, the situation where a trooper stops a convoy and there are no identification numbers on, there should be some sort of a presumption of theft, at least?

Senator BIDEN. I believe the presumption in the bill designed is just that, Senator Cohen. That is, it would give under the legislation—and please correct me if I am wrong—staff—but it gives the authorities under the legislation the right to confiscate then and there that property absent any other proof—just the fact that the number has been obliterated.

Now, the burden of proof is, and the—

Senator COHEN. The person in possession of those parts, the driver, in other words, is he just a conduit? Do we impose any penalty for being in possession of a vehicle or vehicles in which numbers have been removed?

Senator BIDEN. If he is a bona fide purchaser—the presumption is it is stolen property. He is in possession of stolen property. If he can show he is a bona fide purchaser without knowledge, then there is nothing that can be done to him. It is the same presumption that exists with the possession of stolen property. If I possess a stolen television in my home, the presumption is that I either knowingly purchased it knowing it was stolen or stole it. The burden of proof then is on me to show I did not.

That is the same presumption that would exist, at least as intended by me, and I assume Senator Percy, to exist in this case.

[At this point Senator Percy entered the hearing room.]

Senator COHEN. Have another cup of coffee.

Chairman NUNN. We thank you for your presence, for your kind comments. I certainly look forward to working with you together over a long period of months to bring about some needed changes in the overall law enforcement area. I think as you said, neither of us can do the job alone. It is going to take a team approach. I pledge on behalf of this subcommittee we are going to work as hard as possible in that direction with you and your staff.

Do we have any other questions? I had one other question I wanted to ask the witness. We went through the scenario and you talked at it in your opening statement. I think there have been questions on it. I guess the bottom-line question is, if you had had the Percy-Biden bill in effect, what would have been different about the way you'd have handled this from the way you did handle it?

Mr. SCHWEIN. All of the cars would immediately have been identified as stolen or identified as having had their numbers altered. Under provisions of the bill, we would have had a prima facie case to move with. We knew where the cars came from. They came from O'Brien's yard. There may have been enough reason to go back there and, in all probability, obtain a search warrant in order to search the yard and examine the parts therein. There were acres and acres of parts there. We would have had a strong tool to move against the person who put these parts into interstate commerce.

Chairman NUNN. Would the RICO statute, if it was amended as indicated in the Percy-Biden bill to include auto theft, would that have been applicable in this case?

Mr. SCHWEIN. Yes. If the RICO statute—we had two truckloads of parts. We had a number of offenses there—each car representing an offense. We certainly had a business enterprise moving these in interstate commerce, a large business enterprise.

Chairman NUNN. That is all the questions I have. There are no further questions. We appreciate very much you being here and making this contribution to the subcommittee's hearings. Good luck in your work.

Mr. SCHWEIN. Thank you very much.

Chairman NUNN. Senator Percy, I understand one of our staff is going to testify at this point very briefly. It is not on our schedule. I believe Marie Earl is going to testify.

Senator PERCY. Marie Earl will discuss the mounted photographs. These were provided to us by Commander Worth Seaman of the Texas Department of Public Safety in Austin.

Senator BIDEN. Mr. Chairman, may I clarify a point? I stated auto theft in Delaware was up 40 percent. That is true; it is up 40 percent for this month over the same month last year. I want the record to reflect it is not a total increase over the year of 40 percent; this same timeframe is up 40, but not for the entire year. Just for the record.

Chairman NUNN. Have you been sworn in?

Do you swear the testimony you give before the subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

## TESTIMONY OF MARIE EARL

Ms. EARL. I do. I will be explaining these pictures.

Chairman NUNN. Could you give your name and position for the record, just so we will have that?

Ms. EARL. My name is Marie Earl, assistant to the subcommittee.

These late-model front-end assemblies were shipped from Blue Island, Ill., to Dallas. It is believed that all these parts were stolen. The owner of the yard is now serving a life sentence for hiring a man to murder a business rival.

This truck was inventoried in Dallas upon arrival from Blue Island. Some of these vehicles were identified as stolen when investigators discovered personal belongings or identifying markings overlooked by the thieves. Some of the vehicles were not identifiable. It is believed that all of these vehicles were stolen.

Pictured here are some of the 400 to 500 automobile doors in stock in a Dallas yard. Most of these are believed to be stolen.

Pictured here is a Federal safety sticker, which indicates that it is a General Motors product. The vehicle identification number has been obliterated. The lower decal here indicates that it, too, was shipped from Blue Island, Ill. that is Stone's Auto Parts in Blue Island, Ill., operated by the late Timmy O'Brien.

This truck was used to haul stolen parts from Chicago to Dallas. The van is refrigerated. The driver was instructed to drive from Chicago to Dallas nonstop and to run the refrigeration unit as a front.

This is an identified stolen vehicle. This vehicle still carries the rear-end assembly, drive shaft and both bumpers.

These front-end assemblies were unloaded from the van, photograph A, from Chicago. Some were identified as stolen.

The Federal safety sticker has been burned off the door of this Buick Electra in order to obliterate the vehicle identification number and year model.

Here we have a Ford motor. The motor number was once located in the center of the photograph. This area appears to have been beaten with a hammer to destroy the number.

This, too, is a Ford motor. The rusted area indicates the location of the motor number. This area appears to have been ground or filed off.

This is a vehicle identification plate as attached to the dash area of a General Motors vehicle.

The face of the plate contains the vehicle identification number. As shown, the face of this plate has been burned out.

The last picture is a firewall of a General Motors vehicle, believed to be a 1977 Oldsmobile. The yellow and rusted areas indicate locations of vehicle identification numbers. As shown, these confidential numbers have been burned out.

Senator PERCY. Our next witness will be Mr. John Howland, mechanical engineer, Arthur D. Little, Inc.

Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth so help you God?

Mr. HOWLAND. I do.

If you would be seated.

I understand you have a statement first and then a demonstration film.

[At this point Senator Nunn and Senator Biden left the hearing room.]

Senator PERCY. If we could be just as quiet as possible over there in distributing the statements.

Thank you.

**TESTIMONY OF JOHN S. HOWLAND, MECHANICAL ENGINEER,  
ARTHUR D. LITTLE, INC.**

Mr. HOWLAND. Thank you, Mr. Chairman it is a pleasure to be here.

I have a summary statement which I submitted for the record earlier. I will summarize that further.

Senator PERCY. Your entire statement will go in the record.

[The statement follows:]

**STATEMENT OF JOHN S. HOWLAND**

Mr. Chairman and distinguished Members of the committee, thank you for inviting my testimony on this important subject; it is an honor to appear before you today.

I am John S. Howland, member of the Professional Staff of Arthur D. Little, Inc., of Cambridge, Massachusetts. I am a mechanical engineer, specializing in the design and analysis of mechanical systems and components, and have been a consulting engineer for seventeen years. I hold the degrees of Bachelor of Science, Master of Science, and Mechanical Engineer all awarded by the Massachusetts Institute of Technology; am a member of the American Institute of Aeronautics and Astronautics; and am a Registered Professional Engineer in the Commonwealth of Massachusetts.

Several years ago, I undertook a study at the request of the Massachusetts Consumers' Council to determine the major methods of automobile theft and to identify low-cost design concepts for modifications to the steering column lock. This was followed by a study to evaluate a number of after-market anti-theft systems in order to aid in setting insurance premium discounts. Recently, in a project sponsored by the National Highway and Traffic Safety Administration, I concluded a much more extensive study of auto theft. This included a detailed vehicle theft survey to establish anti-theft system design criteria; the design, fabrication, and testing of a prototype system; and the recommendation of modifications to the anti-theft standard.

Many of the findings of this study bear out opinions which have undoubtedly been expressed by others testifying before you. Rather than dwell on these, I will concentrate on those areas where there may be differences.

The first of these is the relative importance of amateur and professional auto theft. The industry commonly expresses the view that the steering column lock changed the vehicle theft profile and that it is now predominantly a highly professional operation. The facts do not bear this out.

Recovery rate is the best index of theft motive. Analyses of recovered vehicles has shown that the degree of stripping overwhelmingly points to amateur or small-time stripping activities; professionally stolen vehicles are seldom recovered. Recovery data shows that 70 percent of all thefts are likely joyriders or small-time strippers. The remaining 30 per cent include professional thefts and fraudulent insurance claims. Recent decreases in recovery rate, if they prove significant, may be due to a known increase in fraudulent claims.

A 1978 General Motors study showed that the average direct loss for recovered vehicles was \$1,522 per vehicle and that for unrecovered, \$2,903. This translates into a \$0.85 billion annual loss for joyriders and small-time strippers compared with \$0.7 billion for professionals and frauds. Moreover, the amateur category produces the bulk of the \$60 million accident losses and the estimated \$200 million criminal justice system costs.

Thus, the objective investigator must come to the conclusion that both categories are important and that the cost of amateur theft is somewhat greater than that of professional theft.

This issue is important in assessing the justification for improved anti-theft hardware. For example, in our National Highway and Traffic Safety Administration (NHTSA) project, we developed and tested a remote steering lock that should be capable of virtually eliminating the joyrider and small-time stripper category of theft. Moreover, it will undoubtedly deter the professionals by forcing them to more expensive or conspicuous methods of theft (many now use juveniles for the actual theft). The price increase for this system is estimated to lie between \$17 and \$36 per vehicle. The theft costs cited previously translate to over \$100 per vehicle for amateur theft alone over a 10-year vehicle life. Thus, not only is amateur theft of great significance, it can be deterred by original equipment anti-theft systems that will pay for themselves several times during the life of the car.

This level of anti-theft performance must be attained over a substantial portion of the vehicle population to have the desired effect on theft. Since the industry is not moving to implement such systems, this will not happen without an effective anti-theft standard. Even if one were put into effect now, it would take several for a significant effect on amateur theft.

Unfortunately, an anti-theft standard differs fundamentally from other performance standards since its objective is to prevent defeat by some undefined method of attack. Although there are several anti-theft performance criteria, we found only two to be effective:

- Minimum time-to-defeat; and
- Limitation of accessibility to vulnerable components.

Specification of minimum time-to-defeat requires subjective compliance testing and, thus, is opposed by the industry. However, it is completely free of design restriction. Accessibility limitations impose considerable design restrictiveness and are opposed on the grounds that they will inhibit innovation. This argument is valid, although somewhat theoretical.

The only way out of this dilemma is to recognize that the anti-theft system, unlike most automotive systems, cannot be evaluated for performance without the action of a human (i.e., surrogate thief).

In summary, our findings concerning the billion dollar amateur theft component are as follows:

The thefts are being accomplished with readily available tools and no special technical capabilities.

Most can be deterred by systems that would require at least 10 minutes or a tow truck to defeat.

Such a system can easily be installed as original equipment for a price increase well below the current average theft cost of \$100 to \$130 per vehicle over its life.

This will not happen without an effective anti-theft performance standard.

Anti-theft performance can only be measured in terms of time-to-defeat which is subjective. Thus, an effective standard must either require subjective compliance testing or it must be design-restrictive enough to ensure the same results without testing.

Although improved hardware would likely have some effect on the professional segment, which also costs nearly a billion dollars, it is not likely to have extensive long-term benefits. The professional, unlike the amateur, will resort to the use of tow trucks, organized theft against fleets, dealerships, and parking facilities; and direct attack against the owner to obtain the key. In my opinion, the optimum methods against this segment are aimed at eliminating the thieves' market by:

- Wider use of the VIN on marketable parts, along with appropriate penalties for altering numbers and trafficking;
- salvage title laws to eliminate the salvage switch; and
- improved controls on vehicle exports.

Mr. HOWLAND. I have one correction I would like to make on that as I go through there.

Senator PERCY. Pull the mike a little closer to you.

Mr. HOWLAND. I am a mechanical engineer on the professional staff of Arthur D. Little in Cambridge, Mass. I have recently completed a

study for the National Highway Traffic Safety Administration on automobile theft, the objective of which was to develop recommendations for the change in Motor Vehicle Safety Standard 114, which covers theft protection in passenger cars.

During the course of this study, we performed a number of tasks. The primary one was to develop the technical specifications and criteria for the design of antitheft equipment in order to determine what types of improvements could be made to the current safety standard.

However, to develop these criteria, we had to conduct a vehicle theft survey in order to develop the motives, methods, and so on that are used to steal automobiles.

So we conducted a survey as well.

That survey, I think, bears out much of what you have heard already from other witnesses. From the standpoint of developing the economic cost justification for antitheft equipment, however, I think it is important to note that although recent statistics perhaps do show the increase of professional auto theft in the United States, but what I have talked about in our study as amateur auto theft—that is, the joyrider and the smalltime stripper—is still a major component of automobile theft.

In my summary statement I have included our estimated losses for amateur auto theft and for professional auto theft and based on the figures that we had during the study, these losses were \$0.85 billion. That is the direct loss now, not including accident losses, criminal justice system costs and so on. There are many more; \$0.85 billion for the amateur theft component and approximately \$0.7 billion for professionals and frauds.

The correction I would like to make is the last typed version of my summary statement I believe had a typographical error in it. It showed \$1.85 billion for joyriders and small time strippers and that isn't the correct figure. It is \$0.85 billion.

Senator PERCY. \$0.85?

Mr. HOWLAND. Yes.

So the bottom line of all of this is the two major components of auto theft, the amateur component and the professional/fraud component appear to be about equal in dollar losses per year.

That is important in the case of the amateur theft because it provides a justification for improved antitheft hardware on automobiles.

With the professionals, I think it is often generally accepted that the professional component of theft will not yield to improvements in antitheft hardware on automobiles. In other words, the market is lucrative enough so that even if you improve the hardware on the automobiles, the professional will find other ways to obtain his vehicles.

[At this point Chairman Nunn entered the hearing room.]

Mr. HOWLAND. With the amateur, he cannot afford to use most of those other methods, he can't afford to hire a towtruck. He must steal the car on the street. If you can improve the antitheft hardware he has to contend with, there is a good chance of reducing substantially or even stopping the amateur component of auto theft; that is, the joyrider and the smalltime stripper—a smalltime stripper being a thief that takes the car, removes it from the place where he stole it and then removes from the vehicle easily stripped items, wheels, wheel covers, batteries, electronics and that sort of thing, items out of the car.

The great bulk of recovered vehicles, incidentally, that show any stripping, show that type of stripping. The chop shop operations and the salvage switch operations seldom yield a recovered vehicle.

Our conclusion is, from that, that it's very important and very costly to the American public to have this amateur theft going on, and that hardware has a chance of doing some good.

We then went on and developed the performance criteria for anti-theft hardware and we considered a number of them having to do, for example, with conspicuousness, type of tool required, limitation or ability to handle number of tools, and so on.

The bottom line on this study, this part of the study, was that the only two performance criteria we feel are effective when applied to antitheft equipment for automobiles are either a minimum time-to-defeat criterion, that is, setting a minimum time in some statistical way or some experimental way that it takes to defeat the antitheft hardware and start the vehicle or the limitation, specific limitation, of accessibility of the vulnerable components in the antitheft system to the thief.

These two types of performance criteria can be used either in wording the standard, a standard that applies to antitheft hardware, or can be used as criteria for designing the hardware.

The advantage to the minimum time-to-defeat criterion is that it is very direct. One always measures the performance of theft deterrent hardware in terms of the time that it takes to defeat. It is the only quantitative measure you can make to measure its effectiveness.

Its disadvantage is that it is subjective. You can't test it without a test subject. Unlike most automotive hardware, it requires somebody trying to destroy it in order to measure its effectiveness and, therefore, compliance testing would have to be subjective in that case or testing to determine how good your system is would have to be subjective.

The great advantage of a time-to-defeat type of criterion is it is not design restrictive. It makes no—it places no restriction on the use of innovative design to accomplish your objective.

In the case of limitation of accessibility, one then has to be very direct about where the vulnerable components can be placed in the vehicle and how they have to be housed, and so on and so forth.

That type of performance standard would be very objective or probably as objective as it could be. It would involve very little subjective interpretation and, therefore, would be easy to verify.

However, it also would be design restrictive. You are telling the designer where he has to put his lock or where he can't put it.

We went on from there to develop an improved antitheft system, and to test it in the vehicle in prototype form. The system that we selected is a remote steering lock, still locks the steering as does the steering column lock. However, instead of being located in the steering column in the passenger compartment of the automobile, it is located—it would be located in the production design in the steering gear box. Our prototype is wrapped around the steering gear box, which is located in the engine compartment of the vehicle. So all the vulnerable parts of the system, that is, the decoder and the latch part of the lock, are remote from the passenger compartment. They are located in a place where about the only access the thief has on our test vehicle is from underneath the vehicle. They are coded and operated by a

keyboard, much like a telephone keyboard, located on the dashboard of the vehicle. I have a film, which I will show later, which will show the operation of that system. But the driver simply inserts a code into a keyboard in the passenger compartment that unlocks the system and allows him to start the vehicle. When he stops the engine the steering does not lock until he leaves the vehicle.

When he leaves the vehicle, it locks. That is a safety provision to make sure he doesn't lock it inadvertently while the car is moving. He can't leave the key in the system because there is no key and the system passively locks. Every time he stops the engine and leaves the car, the steering column locks. So he has no alternative but to leave his car locked. There are approximately 14—13 or 14 percent of the thefts in the United States caused by the driver leaving his key in the car.

Chairman NUNN. Excuse me just a minute. On that system what would trigger the starting mechanism? You say there is no key involved?

Mr. HOWLAND. That is correct.

Chairman NUNN. In the ignition?

Mr. HOWLAND. The only key would be a door key in this case. There is no key in the ignition lock itself. You punch a number code into a keyboard and immediately the lights light up as if you had turned the key to "On." Now, you punch a start button like we used to have many years ago on cars and the engine starts.

Chairman NUNN. So it would be a number code to start the car?

Mr. HOWLAND. The number code doesn't start the car. You actually have to punch a start button—

Chairman NUNN. The number code sets it up to where it can't be stolen?

Mr. HOWLAND. The number code turns the key to "on" and then there is a start button like turning the key to start.

Senator PERCY. Mr. Chairman, in presenting this one model system, we are in no sense trying to evaluate it, or make any judgment on it. The system is just one of a number of possible approaches if we develop standards that are free of design restriction and leave the ingenuity entirely to the designer.

Mr. HOWLAND. That is correct, Senator Percy. This is one of a generic family of designs. There are undoubtedly others that could be used that would be just as effective. We did this as an example. When you have a specific example, you can then go on to estimate costs and look at the economic advantages.

Our estimate of the production costs—I shouldn't say that—the actual price increase that would result from this type of system being used as a standard system installed on all automobiles lies between \$17 and \$35. That is, we expect the price of the vehicle would have to go up by that increment in order to allow this type of system on the vehicle.

Now, our theft survey showed just the amateur component of theft alone, not the professional, but the joy rider and small time stripper component taken over a 10-year life amounts to a cost between \$100 and \$180 per vehicle.

Senator PERCY. Mr. Howland, maybe on the premise that a picture is better than a thousand words, we should show this film. We do have another panel and do not want to delay too long.

Is this a good point to show the film?

Mr. HOWLAND. Yes; it is.

Let me summarize very briefly what you are going to see on the film because it is all over fairly quickly.

Senator PERCY. Is it a sound film?

Mr. HOWLAND. No; I will narrate it as I go along. The film consists of several sequences of tests. The test vehicle we had in the study was a 1977 Dodge Colt, which is a subcompact car.

The first test sequence you will see on the film will be a theft trial on that vehicle with the factory equipment and I am the test subject and incidentally it is the first vehicle that I have stolen completely from one end to the other. I have pulled locks before, but this is the first actual theft trial and it is the first one on that vehicle.

The methods that you will see will include the use of a homemade slim jim, just a wire slim jim, on the door lock followed by the use of the dent puller, slam hammer, on the steering column lock. Then there is a short sequence in between tests on this vehicle showing a tapered door lock being popped with a wire from the outside.

Then the final sequence of the film is the test of our improved system on the Dodge Colt. You will see the operation of the system which I will describe and then you will see a theft trial using, as a test subject, Rufus "Tinker" Whittier, whom we hired as a test subject. He is now a consultant on automobile theft. He has appeared on "60 Minutes" and has been written about in Money Magazine, and so on. He is a retired professional auto thief. We felt he would be a good test subject.

Senator PERCY. Go right ahead with the film.

[Film presentation.]

Mr. HOWLAND. This is the test vehicle and I am approaching it with a slim jim on the door. That is how long it took to open the locked door.

Now I am putting the dent puller into the steering column lock. We are up to 15 seconds now. The most time-consuming part is getting it screwed into the lock. That is how long it takes to pull the ignition lock.

Senator COHEN. You did better than our professional witnesses last week.

Mr. HOWLAND. I stalled it here, so it took me a little longer to get it moving. But that is the theft trial. It was about 45 seconds. And that is with the factory equipment on that car.

Now, I will show the sequence, these photographs were actually taken before the trial. That was a homemade slim jim on the door. This shows the use of a wire on a tapered door button. In fact, it is Tinker Whittier's method—I don't know how that got out of sequence like that. This is the dent puller on the steering column lock of the Colt. I am just statically showing it there. We also modified the door locks on our improved vehicle and I will describe that in a second.

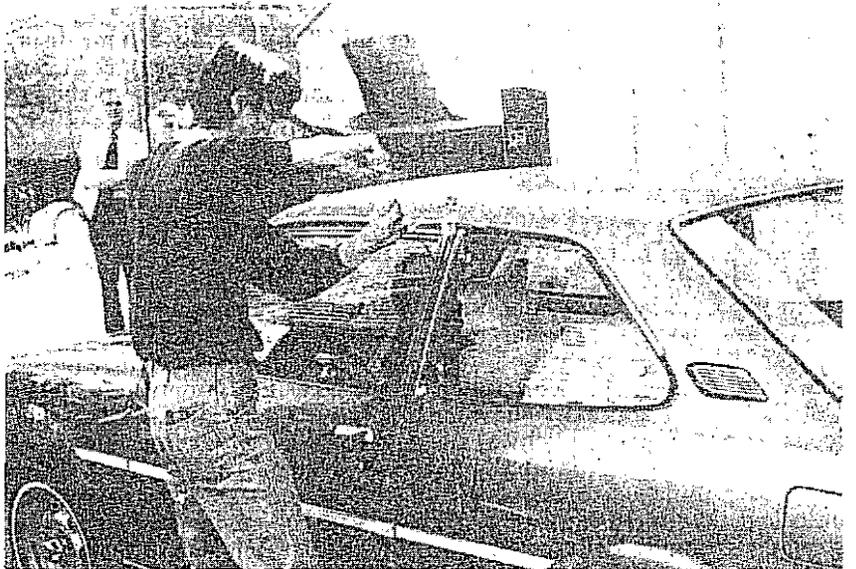
This is the operation of the keyboard system. I have put the code in, I have punched the start button, the engine starts, the steering is unlocked. I punched the stop button, and the engine stops and the steering does not lock until I open the door, which is, as I mentioned before, a safety feature.

Now we will see the theft trial with Tinker Whittier. We modified the door locks on this vehicle as an experiment. We installed interior

baffles so the interior mechanism of the door lock itself was protected from access via a slim jim from the outside. Tinker elected to attack this one with a wire. He uses a welding rod as his wire. He usually grinds a chisel point into it.



Keyboard ignition system developed by Arthur D. Little, Inc., as described by Mr. Howland.



Automobile being broken into as part of experiment conducted by Arthur D. Little, Inc., and described in testimony of Mr. Howland.

He is attacking this from the outside with a rod. Now we also installed a rotary door release, that is, a knob that turns rather than a button, to make it a little bit harder. You remember it took me about 3 seconds to open the door of that car with a slim-jim before. Now, a slim-jim wouldn't work because there is no way to get a slim-jim on the mechanism of the door.

Mr. BERK. Mr. Howland, was Mr. Whittier briefed on the operation of this system before he attempted to defeat it?

Mr. HOWLAND. Yes; he was. About 1 week before this theft trial, we had a disassembled system on the bench and we showed him where all the parts were and where all the components were, how they operated. We showed him the drawings of the system—incidentally, he just opened the door and it took him about 1½ minutes to open the door.

Now he has to unlock a bolt, a dead bolt, which we have installed on the hood in order to protect that. Again, we did that for experimental purposes. We wanted to see how much that would slow him down and he attacks it by reaching up inside and cutting the cable.

He had the system described to him with a disassembled unit on the bench. He had all of the drawings shown to him and we answered any questions he had on the operation of the system about 1 week before the test. And then he had a week to collect whatever tools and equipment that he wanted to have available for the test.

You will see in a minute it will take him about another 1½ minutes to get this dead bolt hood lock broken and get into the engine compartment. The reason he needs to get into the engine compartment, is he chose to attack our remote system electrically and he needs a hot wire to do that so you have to have access to the battery of the car to get the wire. He made himself a 12-volt lead and is going underneath the vehicle now to try to get that 12-volt lead into our remote steering lock and release it.

The problem is that all of the vulnerable parts in that steering lock are housed in a fairly rugged metal housing similar to the gearbox, and he really doesn't have any access to it. He doesn't have enough room to cut or break that housing.

Mr. HOWLAND. At this point there is approximately 7 minutes elapsed, 6 or 7 minutes.

Mr. BERK. What is he trying to do now?

Mr. HOWLAND. He is probing in the remote unit which is located under the left rear part of the engine compartment. He is probing in that unit attempting to put 12 volts on the vulnerable components. There is a solenoid in our system and he is attempting to release that solenoid.

If you are able to release that solenoid, the system would unlock. Unfortunately, he has no access to that solenoid. He did manage to get—we are up to 15 minutes now. He did manage to get voltage on the microelectronics that are in the decoding part of our system, and he fried those electronics so that they were incapacitated. That meant that the vehicle was left in its locked position.

In other words, there was no—we couldn't unlock it with the keyboard. So, if this were a street theft, the owner would have to have his car towed and serviced. But he would still have it to tow.

Mr. Whittier gave up at this point, which is approximately 17 minutes after the start of the test. He stated to us that in his opinion, that the car can't be stolen on the street without a towtruck, which, of course, was our objective.

Mr. BERK. Mr. Chairman, I would like to enter into the record at this time, a copy of Mr. Howland's "Vehicle Antitheft Security System, Design Study," which he conducted for the Department of Transportation.

Chairman NUNN. Without objection. The film will also be made an exhibit.

[The film and document referred to were marked "Exhibit Nos. 30 and 31" for reference and may be found in the files of the subcommittee.]

Mr. BERK. I would also like to enter into the record a summary of an auto theft survey conducted by the General Motors Corporation, on which Mr. Howland based some of his statistical work.

Chairman NUNN. Without objection.

[The document referred to was marked "Exhibit No. 32" for reference and may be found in the files of the subcommittee.]

Senator PERCY. I have just a few questions, Mr. Howland. Could you answer as concisely as possible and if you would like to amplify your response for the record, the record will be kept open for that purpose.

As I understand your position you have concluded that the steering column lock and various other improvements of the last decade have not significantly deterred the amateur thief. Would you explain the basis for this finding?

Mr. HOWLAND. Yes. First, the theft statistics indicate that amateur theft is still a significant problem in the United States; and, second, there have been enough tests and studies done of the technical capabilities of the lock to show that they are easily beaten with simple, easily available tools by people with practically no training and no experience.

Senator PERCY. In other words, it doesn't require mechanical certification to defeat the steering column lock?

Mr. HOWLAND. That is correct.

Senator PERCY. What makes the steering-column lock so susceptible to attack? Why are those locks so susceptible?

Mr. HOWLAND. I believe it is because the vulnerable components are so accessible to the thief, he has easy access to the decoding and latching mechanisms from the passenger compartment itself, and through housings which are not terribly theft resistant.

Senator PERCY. Would it be fair then to conclude that if the locks won't deter an amateur they certainly won't deter a professional?

Mr. HOWLAND. I think it is. Yes.

Senator PERCY. If the major automotive manufacturers offered your system as optional equipment, wouldn't this give a motorist in a high-theft area the opportunity to reduce the chances of his car being stolen, while not imposing an undue burden on the motorist who lives in a low-theft area?

Mr. HOWLAND. That, I believe, is one approach to the problem. There are several drawbacks. One is that that would have to be coupled with

very reflective insurance premiums in order to be equitable; that is, the person with the equipment should have much, much lower insurance premiums. That is not the case in Massachusetts, which is the only State that I know of that has any reduction in premium for anti-theft equipment.

Another problem is the fact that either optional or retrofit equipment is more expensive than an equivalent piece of hardware which is a standard part of the automobile.

And the third problem with that, in terms of optional equipment, is that most people do not order their automobiles. They buy automobiles that are available at dealers or at regional dealers or dealers in their region. So, unless the manufacturer actually puts that piece of optional equipment on many cars that are going into that region, most of them won't have it.

Senator PERCY. And you believe, having done a good deal of work in the design area, that your particular design is not the only type of vehicle theft system that could have a positive effect on curbing this crime, and that there are other alternatives worth exploring?

Mr. HOWLAND. Yes; there are certainly other alternatives. We have one of many approaches that even we generated during our study. We selected this one for tests. We generated several other concepts and I am sure there are ones that we haven't even thought of.

Senator PERCY. Do you personally, or does the Arthur D. Little, have any financial interest in seeing this system marketed?

Mr. HOWLAND. No.

Senator PERCY. In your concluding remarks you call for tightening up of existing laws and enactment of measures for increased VIN marking to give law enforcement stronger tools to combat the theft problem.

If such measures are not adopted will professional theft continue to grow?

Mr. HOWLAND. I believe it will, as it has.

Senator PERCY. The trends are ominous. I want to thank you very much indeed.

Senator Cohen?

Senator COHEN. I think you indicated the cost of this would be between \$17 and \$36. Would that be the entire system or just the automatic key system?

Mr. HOWLAND. No; it is the two units, the keyboard sending unit and the decoding and latch unit which is remote.

Senator COHEN. What did it cost you to develop that system?

Mr. HOWLAND. That is difficult to separate from all of the rest of the study, but the study was about a \$100,000 study. The hardware that we put on the vehicle, of course, is prototype hardware, and that is much more expensive than production hardware.

Senator COHEN. If this were produced on a mass basis, it would come down to about \$17?

Mr. HOWLAND. Yes. This is a differential cost; that is, we save some parts and we add some. Most of the parts that we add are the electronics, but we eliminate the existing steering-column lock and replace it with this remote unit. It is a differential price in the vehicle that we estimated at \$17 to \$36.

Senator COHEN. That is all I have.

Chairman NUNN. Thank you very much. You have been very helpful and it is very interesting. We appreciate your appearing before the subcommittee.

Mr. MARKS. Mr. Chairman, the Dodge Colt test car is available for viewing immediately after the hearing on C Street, about 50 feet east of the entrance closest to the nearest bank of elevators. We are very appreciative of Mr. Nelson Erickson from the National Highway Traffic Safety Administration, who drove the car over here this morning and it will be available for viewing immediately after the conclusion of the hearing today.

Chairman NUNN. Do you have someone guarding it or are you confident it will still be there? [Laughter.]

Senator COHEN. Have you had any inquiry from the major automobile manufacturers about this system?

Mr. HOWLAND. Yes. The manufacturers, I believe, are familiar with our study and I interviewed them during the vehicle survey portion of the study and I have talked with one or two of them since then about the conclusions of the study, and one of the manufacturers had a representative in our final briefing at the National Highway Traffic Safety Administration.

Chairman NUNN. Thank you. Our next witnesses are going to appear as a panel. We have Mr. George Cook, manager of vehicle security, engineering office, of Chrysler Corp.; and Mr. Jerry Williams, vehicle regulations manager, environmental and safety engineering staff, of the Ford Motor Co.; and Mr. David E. Martin, director, automotive safety engineering, environmental activities staff, of General Motors Corp.

If you gentlemen could come up we will swear you in. I ask each of you to hold up your right hand, please.

Do you swear the testimony you will give before this subcommittee will be the truth, the whole truth, and nothing but the truth so help you God?

Mr. COOK. I do.

Mr. WILLIAMS. I do.

Mr. MARTIN. I do.

Chairman NUNN. Let the record reflect that each of the witnesses answered "I do."

**TESTIMONY OF GEORGE COOK, MANAGER OF VEHICLE SECURITY, ENGINEERING OFFICE, CHRYSLER CORP.; JERRY WILLIAMS, VEHICLE REGULATIONS MANAGER, ENVIRONMENTAL AND SAFETY ENGINEERING STAFF, FORD MOTOR CO.; AND DAVID E. MARTIN, DIRECTOR, AUTOMOTIVE SAFETY ENGINEERING, ENVIRONMENTAL ACTIVITIES STAFF, GENERAL MOTORS CORP.**

[At this point, Senator Percy left the hearing room.]

Chairman NUNN. I believe Senator Percy will be back in just a few minutes. Do you have any particular order you would like to appear in?

If not, we will start with Mr. Cook and go to Mr. Williams and then to Mr. Martin.

You can pull those mikes up as close as possible. I thank you on behalf of the subcommittee for appearing today. Of course, you are the essential people in this overall area, and you are also the experts in terms of the question of manufacturing costs, and so forth, which we certainly want to hear from you on.

Mr. Cook, do you want to lead off?

Mr. Cook. Thank you, Senator Nunn.

Chairman NUNN. Mr. Cook, you are on the right side. Is this Mr. Williams in the middle?

Mr. WILLIAMS. I am Mr. Williams.

Chairman NUNN. Mr. Martin is in the middle.

Mr. Cook. My name is George Cook. I am manager of vehicle security for the engineering office of Chrysler Corp. I have been an engineer at Chrysler for over 16 years and prior to my present position, I spent 3 years in charge of the design and development of all passenger car locks and body hardware.

We at Chrysler share your concern with the growing involvement of organized car theft operations. We are concerned for the victims who suffer the trauma of losing their vehicle, for the victims of fraudulent titles who find they do not own the vehicle they have paid for, and for all Americans who pay for these crimes through higher auto insurance premiums.

As opposed to amateur car thieves whose motives may be joyriding, short-term transportation, quick money, or use in the commission of another crime, the obvious motive for the professional thief is profit. It is our opinion that as long as this lucrative profit potential exists and can be pursued with only a slight risk of arrest and conviction, the professional thief will devise and use whatever tools and means are necessary to steal vehicles. He will change the identities, counterfeit titles, or strip them for parts and sell them to a waiting and readily accessible market with little fear of detection.

We feel it is essential to concentrate on more certainty of conviction and punishment for both the thief who steals the vehicle and the individuals who knowingly traffic in stolen vehicles and parts. To decrease the rate of vehicle thefts by professionals requires action to reduce the market for these vehicles and component parts and, thus, diminish the profit potential. We do not feel that attempting to increase vehicle security by additional antitheft hardware would have a significant effect on professional vehicle theft rates, but would add cost, reduce serviceability, and cause inconvenience to all legitimate vehicle owners.

In the Chrysler responses to this subcommittee on August 22 and October 1 of this year, we suggested several measures to be considered which we feel would be beneficial in reducing the vehicle theft rate by professionals. Included were:

Vigorous investigation and prosecution of thieves, including Federal sponsorship and funding of interagency law enforcement taskforces;

Better control of vehicle dismantlers, junkers, and body repair shops, and stiff penalties for anyone trafficking in stolen vehicles and parts;

Broadening of procedures for timely reporting of theft and recovery of vehicles;

Development of standardized titling procedures throughout the country, including a computerized chain of title records;

Inspection of vehicles and ownership documents by duly authorized officials prior to registration or transfer of title;

Development and implementation of an effective program to educate the public on auto theft prevention; and

Insurance industry accountability to insure that thieves are prosecuted and that funds are disbursed only for the purchase of legitimate parts in the repair of damaged vehicles.

We realize that dismantling vehicles for parts is a necessary and legitimate business enterprise. However, it does lend itself to activities associated with illegally obtaining and disposing of vehicles. In this regard, a number of States have enacted legislation that in general requires all motor vehicle dismantlers and salvagers to be licensed.

[At this point Senator Cohen left the hearing room.]

Mr. Cook. Many of these laws also require recordkeeping to verify the legitimate acquisition of all vehicles and to allow traceability of all component parts to the original vehicle. These records must be available for inspection by law enforcement agencies. We suggest that close scrutiny of the effectiveness of these laws could provide information that might be very useful in developing measures to reduce professional vehicle theft on a nationwide basis.

We, along with other manufacturers, have attempted over the years to categorize the types of thefts and modi operandi used to steal our vehicles so that we can respond with design changes or added security features, either hardware or software, as countermeasures. We feel that the level of security designed into our present vehicles has proven effective in reducing theft by the amateur car thief. However, it is extremely difficult and most often impossible to identify the impact of a specific security feature on vehicle theft.

In recent years, special auto theft surveys conducted by various Federal and State law enforcement agencies have provided useful information, especially in indicating the effectiveness of the steering-column lock in reducing vehicle thefts by amateurs.

However, in order to provide information that would be beneficial both in developing and evaluating the impact of antitheft measures, a means of collecting and analyzing statistical data on nationwide auto theft should be initiated. Statistics that would divide the types of vehicle theft into the two basic categories of amateur theft versus professional theft would be a helpful beginning.

That completes my testimony today. We welcomed and appreciated the opportunity to express our position before this subcommittee. We are confident that through the mutual efforts of law enforcement agencies; insurance companies; legislative and judicial bodies, both State and Federal; vehicle manufacturers; and others, the common goal of significantly reducing vehicle theft in the United States can be accomplished, and we pledge our contribution to that goal.

Chairman NUNN. Thank you very much, Mr. Cook. Just a couple of questions. I will reserve most of the questions until after all the witnesses have presented their statements, but you haven't directly addressed the question of whether you are favorable toward the Percy-Biden legislation. What would be your view on that legislation?

Mr. Cook. Divided into three categories, there are titles II, III, and IV. It has been our position that we totally support the titles III and

IV portion of the bill. We have some concern regarding the title III portion, which asks that NHTSA regulate antitheft devices. Our concern there is that when the antitheft devices on vehicles become a Federal standard, they will be just as well known by the professional thief, it may be even easier for him to map out a method of defeating those types of devices. That has generally been our position at this point. We express a concern.

Chairman NUNN. What about the VIN numbers on the component parts? How do you feel about that?

Mr. Cook. I have been here for each day of the testimony, and have heard the testimony of the previous witnesses and, obviously, in the situations that they described, it is very difficult to deny that numbers on those component parts would be helpful in certain situations to allow them to identify and use as evidence in the prosecution of the chop shop operators.

At this point I cannot, and I am not sure that anyone can, specifically say how effective that would be. Let me, if I may, just state a hypothetical situation. We have heard from some of the witnesses that the recovery rate of vehicles is somewhat misjudged because when any portion of the vehicle is found, the engine, transmission, or, as I understand, even a VIN plate, that that is identified as a recovered vehicle and, therefore, the records in the NCIC computer show no longer that that vehicle has been stolen.

If we identified component parts and the chop shop operator were to take the sheet metal parts and quickly get the engine and transmission back on the street, it wouldn't be long until that VIN was out of the computer. And, if a law enforcement person found those parts, run it through the computer to get a hit, he would not get one. I simply make this point to say that in identifying the parts, there are a lot of ramifications and complications that are going to have to be considered along with the costs. And, I certainly can't say how effective it would be, but I think we must consider all of the cars that are not stolen and the costs that would go to those purchasers for identifying parts.

I am just raising a question.

Chairman NUNN. That is what we need to have is questions raised by people who are knowledgeable. You are assuming that you have VIN numbers on all of the component parts.

Mr. Cook. Let's assume that is the case.

Chairman NUNN. They steal the car, take it to the chop shop, and you say get the engine and transmission back on the street as soon as possible. What do you mean? In what form?

Mr. Cook. The witnesses that we heard, the convicted car thieves, said that they did not want those parts and they couldn't get rid of those parts in the repair shop market because they were numbered. So the hulk or the engine and transmission are disposed of. I think one fellow talked about how they drove them six or seven blocks from the shop and just left them on the street.

Chairman NUNN. Dumped them, got rid of them; yes.

Mr. Cook. When that engine and transmission is found by law enforcement people, that is identified now as a recovered vehicle. The NCIC computer, which had the VIN number in there as a stolen ve-

hicle, is purged and no longer identifies that vehicle as stolen, as I understand it.

So that later, the crash parts that are sold, if they are found, even if the VIN numbers are on them, the officer will not get a positive ID that they came from a stolen vehicle.

Chairman NUNN. Yes. I see what you are talking about there. You are saying if it does show up as a recovered vehicle then it eliminates the stolen parts from being on any list. Of course, that could be handled rather easily with the management changing in the computer systems, couldn't they, if that is the case?

Mr. Cook. I am not sure how it could be handled.

Chairman NUNN. All you have to do is add one more category, some stolen parts, set up another category. It seems to me that could be cured just from the computer operator in a couple of days. I am not as familiar with that system as you are.

I don't see that as a major problem, although it is something that probably ought to be looked at.

Mr. Cook. I think my point is there are ramifications to this and that everything must be considered. That was just one point that I wanted to make.

Chairman NUNN. Let me just ask you a hypothetical question. What incentive does an automobile manufacturer have in a pure economic sense? I know you are all good citizens and you want to do as much as you can to combat crime, but just looking at it from the pure economic sense, what incentive does an automobile manufacturer have to do anything to curb automobile theft?

Mr. Cook. I have to say it is more difficult for the manufacturer to find an economic incentive.

Chairman NUNN. Your pure economic incentives would be purely in the other direction; the more stolen, the more you make; the more you make, the more you sell; the more you sell, the more money you make. At least that used to be the case.

Mr. Cook. That is possible. Our concern is with our customers' cost of operation of the vehicle which we always try to consider and we feel the theft rate which effects the insurance rate does effect his cost of operation. That is a competitive thing, especially if insurance companies begin to recognize various types of vehicles that are stolen more than others and vehicle theft devices that are more effective than others.

Chairman NUNN. That is just in the embryo stage now. They are just beginning to do that, are they not?

Mr. Cook. As I understand it, yes.

Chairman NUNN. That seems to me to be a real economic incentive. If the customer starts looking at the insurance rates, depending on what kind of car they bought, you would have the pure economic motive guiding the manufacturers in a direction of doing more as a competitive part of their sales.

Mr. Cook. But strictly from an economic standpoint, we have a moral concern, we are concerned about the cost of operations to our customers and I think that is probably our major concern.

Chairman NUNN. I don't want to imply anything other than that. I am a great believer in the economic incentive system as opposed to

Government intervention whenever the economic system can work and will work.

But, if you eliminated all stolen cars; there were no stolen cars in the United States next year; if the Senators Percy and Biden legislation went in; if law enforcement did better; judges started putting them away; everything we have heard about started working perfectly, how would that effect Chrysler's automobile sales?

Mr. Cook. I can't see a significant effect. At this point, I guess I can't answer that question.

Chairman NUNN. Could you do a little bit of work on that and compute it for the record? It seems to me what you really need to do is take the number of Chrysler vehicles stolen and the number that are recoverable and driven again, as opposed to those that aren't, and then I would assume that that figure would be, or could be, correlated into sales.

Mr. Cook. I will put something together for the record.

[The information requested follows:]

This response is based on the following 1978 calendar year statistics and assumptions:

No. 1. 1978 and 1979 model Chrysler vehicles stolen-based on NATB data	8,796
No. 2. 1978 and 1979 stolen vehicles not recovered-based on NATB data. (42 percent)	3,694
No. 3. 1978 and 1979 stolen vehicles recovered but not usable-based on judgmental assumption (21 percent)	1,847
No. 4. Stolen 1978 and 1979 vehicles replaced-based on No. 2 and No. 3.	5,541
No. 5. Stolen 1978 and 1979 replaced with new vehicles-based on judgmental assumption (80 percent of No. 4)	4,433
No. 6 Total Chrysler vehicle sales in the United States in 1978	1,738,516
No. 7. Percent of sales due to replacement of stolen vehicles-based on No. 5 and No. 6	0.25

The conclusion is that, based on several unsubstantiated assumptions, there were approximately 4,433 Chrysler vehicles sold in 1978 to replace stolen vehicles and that this represents an estimated 0.25% of total 1978 sales. There are, however, several other factors that could influence this conclusion such as older model vehicles that might be replaced with new ones, buyers switching to a different manufacturer, and the obvious lack of actual data related to usability of recovered vehicles and replacement practices of vehicle theft victims. Another factor which may balance or even outweigh the additional vehicle sales is the profit loss to the manufacturer on replacement parts that are obtained illegally from chopped vehicles. Again, no data exists on which to calculate the actual effect.

It is our opinion that the overall effect of vehicle theft to Chrysler Corporation sales and profits is insignificant.

Chairman NUNN. In other words, if we did a perfect job on curbing automobile theft, would we wreck the automobile industry? I doubt it. But I am just trying to measure whether the effect would be one-half of 1 percent or whether it would be 5 percent in sales or whether it would be 3 percent or 10 percent.

If you could do whatever computation can be done on that, I am not saying devote tremendous resources to it, but whatever computation you can come up with, we would like to have it for the record. I would ask that of each of the witnesses.

Do either one of you, before you give your testimony, want to answer that last question as to what economic incentive the automobile manufacturers now have to make their cars safer from theft?

Mr. WILLIAMS. I tend to agree— Jerry Williams, Ford Motor Co.— that the cost of ownership is one of the incentives that we have, and as you indicated some of the insurance companies are now using insurance rates. This is, I feel, a tremendous incentive for the competitive system to work.

[Additional information furnished by Mr. Williams, Ford Motor Co., follows:]

The potential impact on the sale of vehicles and parts that could result from an "elimination of vehicle thefts" involves several interrelated factors. Additional vehicle sales are generated to replace those vehicles stolen; however, potential sales are lost when stolen vehicles are sold as complete units. In addition, the sale of stolen parts substantially reduces the potential for sale of manufacturers' replacement parts. These combined factors result in a probable loss of potential sales and profits to vehicle manufacturers.

Chairman NUNN. Have any of you manufacturers in any way ever advertised that your car is safer from theft?

Mr. MARTIN. Dave Martin, General Motors.

Chairman NUNN. Mr. Martin, has General Motors, in response to these insurance changes, had anything gone out with any of your brochures to any of your dealers, or any of your advertising, or pamphlets, or anything else, saying, "Buy GM cars, because it is less likely to be stolen," and, therefore, you get better insurance?

Mr. MARTIN. I am not familiar with any such literature, but I will look into it and make sure that my statement is correct. But, again, anything that makes the ownership of our vehicles more enjoyable and less costly and more convenient to our customers is to our advantage.

Certainly we don't want our customers to suffer because of vehicle theft, and particularly, if there is an indication that that is less likely to happen with one of our competitors. That would be a very, very deep concern, and cause us to move very, very rapidly to meet competition.

Chairman NUNN. In other words, if you were to see on television an ad by Ford Motor saying, "Buy a Ford automobile, pay less insurance rates, save money," because Ford is safer than the GM as far as automobile theft, wouldn't that start some real churning going on in GM as to what you would do about automobile theft?

When we arrive at that point, aren't the economic incentives beginning to work?

Mr. MARTIN. We would move to meet the competition as we would in other areas.

Chairman NUNN. Do you see any signs that that may happen because of these insurance rates, or is that such an insignificant factor in automobile ownership?

Mr. MARTIN. It is not insignificant, but certainly there is indication that it is growing, and with the insurance companies already in some instances offering premium discounts, if a passive theft alarm system is equipped with the vehicle, certainly the competitive aspects of the business are already there.

Whether they are significant as we would like to see in terms of reducing the total numbers of thefts is another matter. But they do operate.

Chairman NUNN. Frankly, what bothers me about this whole area is I can't find where the economic incentives are on either the insurance company or the automobile companies in any major way to have the

free enterprise system operating to do everything it can with innovation and ingenuity.

I have no doubt if it became a competitive factor, that your three companies would do a better job than the Department of Transportation individually and collectively in devising safety devices.

But, in the absence of that, our question is, What can be done in that regard?

[At this point Senator Percy entered the hearing room.]

Chairman NUNN. Also, I think it is very apparent, during these hearings, that the insurance companies obviously have an economic incentive to get as much as they can from a salvaged automobile and their economic incentive is best served in a pure economic sense by looking the other way and getting \$400 or \$500 for a total automobile, which under any conditions, legitimate conditions, would only bring a third or a fourth of that.

Mr. MARTIN. I can't speak for the insurance companies, but certainly General Motors is not interested in selling any cars because the vehicle has been stolen.

Chairman NUNN. I know.

Mr. MARTIN. Or destroyed.

Chairman NUNN. I know that. But you see what I am driving at. If there were a way the Government itself could act only to create the necessary economic incentives, rather than getting into further regulations, I believe that you gentlemen would be able to come up with superior systems to what anybody at the Department of Transportation could, but I don't see where those economic incentives are building at this point in any rapid fashion.

Well, go ahead with your testimony. We will have Mr. Williams next, of Ford Motor Co.

Mr. WILLIAMS. Thank you, Senator. I am Jerry Williams, vehicle regulations manager, environmental and safety engineering staff, Ford Motor Co. I am pleased to have the opportunity to describe Ford's programs aimed at reducing vehicle theft and offer some general comments on vehicle theft.

Professional theft—as distinguished from the occasional or joyride theft—is based on the use of sophisticated techniques and tools; the ability of the thief to alter the vehicle's identification; the ability to resell the vehicle by providing false vehicle identification documents; and the ability to market stolen vehicle components through illegal activities in salvage yards, or so-called chop shops, and body repair shops.

To combat this kind of highly organized vehicle theft requires the cooperation and coordination of auto manufacturers, law enforcement officials, motor vehicle administrators, insurance companies, legitimate salvage operations, body repair facilities and the criminal justice system.

At Ford, we are concerned about reducing vehicle theft and its impact on cost-of-ownership. For example, over and above the antitheft standards set by the Department of Transportation [DOT], Ford has taken actions to improve door and trunklocking mechanisms, to thwart the use of tools such as slim-jims and slam-pullers and to strengthen the ignition lock cylinder retention in the steering column. These

actions have proved successful in reducing joyride thefts. Unfortunately, reducing professional thefts goes far beyond vehicle security improvements.

Chairman NUNN. You heard the testimony that the Ford pickup was the easiest of any vehicle on the road to steal. Did you hear that?

Mr. WILLIAMS. Yes, sir. I have heard that. In fact, Ford's experience has been—

Chairman NUNN. Do you have any rebuttal to that? [Laughter.]

Mr. WILLIAMS. I will say, Senator, that the 1980 light truck that Ford has brought out, the light truck and the Bronco, is not the easiest truck to steal.

Chairman NUNN. Which one is easier? [Laughter.]

Mr. WILLIAMS. Some of the earlier Ford trucks, Ford pickups were relatively easy to steal.

Chairman NUNN. So your 1980 is—

Mr. WILLIAMS. We have completely redesigned the system. The 1980 pickup truck is an all new vehicle. I keep saying down-sized. That is not correct. It has been redesigned for fuel economy and emission reasons. It is still a full-sized truck, but it is completely redesigned and we incorporated the state of the art from the security standpoint in that vehicle.

Chairman NUNN. Some others are interested in Rolls Royces and those kind of things. I am interested in the pickups. If you tried to say whether the Ford was better than it used to be, that is one thing, but would you say the Ford in 1980 is going to be harder or easier to steal than a GM or Chrysler?

Mr. WILLIAMS. Are you referring specifically to pickup trucks?

Chairman NUNN. Yes.

Mr. WILLIAMS. I think we will be competitive. It is hard to say who will be easier or harder, but I am sure we will be competitive.

Chairman NUNN. You think you have made some major improvements in the 1980 Ford truck?

Mr. WILLIAMS. Yes.

Senator PERCY. You have followed these hearings. Let's take into account the professionalism of the thieves that we have had testify. How long do you think it would take one of them to steal a 1980 pickup?

Mr. WILLIAMS. You are talking about professionals?

Senator PERCY. Yes, professionals.

Mr. WILLIAMS. It would depend on the technique that the professional would decide to use. If he would try to use a slam-puller, for example, I would suggest it would take in the neighborhood of 8 or 10 minutes. If he would have access to a special kind of a puller that some locksmiths have, probably less than 5 minutes.

Senator PERCY. Even though you have made improvements, they have been pretty successful in adapting to every change that has been done so far. These changes still don't meet the standard that the thieves have said would be a deterrent to crime, 10 minutes.

Mr. WILLIAMS. Well, it wouldn't—I said 5 minutes. It would not be the 10 minutes, but the problem that we would have with 10 minutes, with any time, any finite time period, would be who is going to be the test subject. Is it going to be a professional who knows a particular

mode of attack? Maybe we would design a system that would thwart that particular mode of attack, and yet, some other thief that we don't know about, has a completely unique approach to defeating the system.

It is one of the difficult areas that we face when you start talking about a finite time period as far as measuring theft resistance. It is easier to measure the time, but where do you draw the limit on tools? That is one of the difficulties that we have.

As I was saying, Ford's experience has been that new antitheft devices are effective for only a limited period of time—until the professional thief develops tools and techniques to defeat them.

We will continue, of course, to improve our vehicle security devices to try to stay ahead of this cycle, but we think a more effective approach may prove to be actions in the vehicle identification area. Ford has recently implemented several programs in this area. First. To make it more difficult for professional thieves to alter vehicle identity, Ford revised its manufacturer's statement of origin [MSO] beginning with 1979 model vehicles in such a way as to insure that alterations and photocopies could be detected, leading the industry in this effort. This document, like a birth certificate for an individual, is used for titling a new vehicle. With 1980 model vehicles, additional security improvements for MSO's were developed in conjunction with officials from Massachusetts, the American Association of Motor Vehicle Administrators, the document security industry, and auto manufacturers, and are now utilized industrywide. This action will make it extremely difficult for professional thieves to utilize the MSO for vehicle identity falsification. However, it will have little impact unless States take parallel action to insure that titles are equally difficult to alter.

Second. To aid law enforcement officials in ready identification of suspected stolen vehicles and parts, all Ford cars and trucks have a vehicle identification number [VIN] derivatives stamped on the engine and transmission. Beginning with 1980 models, the VIN derivative is also stamped on each rear axle of medium and heavy-duty trucks.

Chairman NUNN. Let me ask you one question here. What is the difference between the MSO and the VIN? Are they two different numbers?

Mr. WILLIAMS. Yes.

Chairman NUNN. What is the MSO?

Mr. WILLIAMS. The MSO is a document that is truly like a birth certificate for that vehicle. It is used by, I think, 47 States at the present time in order for them to issue a title for that vehicle. It has printed on this document the vehicle ID number, the description of the vehicle, if it is a two-door, if it is a four-door, if it is a Lincoln Continental.

Chairman NUNN. MSO is a document? It is not anything on the car?

Mr. WILLIAMS. It is not anything on the car.

Chairman NUNN. But the VIN's that are on the car are also on that document?

Mr. WILLIAMS. Yes. From the MSO, the State agency insures that the VIN number is written down correctly. The VIN is on the car as you indicated.

Chairman NUNN. Thank you.

Mr. WILLIAMS. Third, this year Ford began an experimental program to identify certain additional components on its luxury cars. A self-adhesive label containing the complete 11-character VIN is affixed to six additional components of the 1980 Lincoln Continental and Continental Mark VI, which are all new vehicles with noninterchangeable parts from previous models. The components identified are each front fender, the right front door, the hood, the deck lid and the rear body structure. The safety compliance certification label which contains the complete VIN is affixed to the left front door. We plan a 2-year experimental program during which we will work closely with law enforcement officials to determine the effectiveness of component identification in reducing thefts of these vehicles and in impeding chop shop operations.

Any vehicle or part identification program, of course, is dependent on cooperation by all concerned. To be most successful, the identification program must be utilized not only by law enforcement officials as evidence but by insurance companies, salvage yards, car dealers and purchasers in establishing the legitimacy of the vehicle. To assure high program visibility, we are working with the Department of Justice, the FBI, the Department of Transportation, the National Automobile Theft Bureau, the American Association of Motor Vehicle Administrators, the International Association of Chiefs of Police and the Automotive Dismantlers and Recyclers of America.

We're also including a description of the program in two service publications, "Body Repair Tips" and "Shop Tips," which Ford distributes nationally to independent body repair shops, Ford and Lincoln-Mercury dealers, insurance companies and distributors.

Chairman NUNN. This new self-adhesive label, what kind of number is that and what is the permanence of it and how does it compare with what is on the engine now?

Mr. WILLIAMS. It is a self-adhesive label that has very unique features incorporated within it. The complete Ford vehicle identification number is printed on it. You cannot remove the label without the label destroying itself in the attempt to remove it.

Chairman NUNN. If it was removed or altered, you would know it?

Mr. WILLIAMS. If you tried to remove it and replace it, you can't do it. You could remove it and try to erase any evidence that the label was there, but you cannot remove the label without destroying it. The security features are similar to what some States use on their driver's license, in order to prevent the alteration of material that is on the driver's license. Your age, for example, if you tried to alter that number, it would be readily detectable.

These actions represent Ford's principal efforts to date targeted at reducing professional thefts. If the experimental parts identification program is well utilized by law enforcement agencies and insurance companies and proves successful in theft reduction, Ford would expand this program. We're also certain to continue various product actions aimed at theft reduction because this is one area where competitive pressures are at work.

As I said earlier, reducing theft reduces a cost of ownership and is an important factor in maintaining customer loyalty. This competi-

tive pressure will increase as more insurance companies adopt vehicle insurance rating systems which establish premiums based on actual loss experience reflecting damageability, repairability and historical theft rates of the vehicles.

It is important to again emphasize the limited role vehicle security actions actually play in reducing thefts by professionals. One of the most important reasons that this role is limited is due to the large number of persons with access to general product specifications. Locks must be capable of being repaired, so product information on locking mechanisms is distributed to dealerships, independent garages, body shops, and locksmiths. Obviously, this information can pass easily into the hands of organized theft rings and may be utilized to defeat security systems.

Also, the criminal penalties for vehicle thefts do not appear to be severe enough deterrents. Recently a California law enforcement official stated that in a 1-year period, out of the 29,000 persons arrested in that State for auto theft, 5,400 were actually brought to trial and 128 went to State prison, and this experience is not unique to California. It is merely a misdemeanor in some States to alter, obliterate, or remove a VIN or to disguise the identity of a vehicle for fraudulent purposes.

For these reasons, Ford strongly supports titles III and IV of the Motor Vehicle Theft Prevention Act of 1979 which would one, make it a Federal crime to alter, remove, or tamper with any VIN; two, increase the penalties of trafficking in stolen vehicles or their parts; and three, reduce opportunities to export stolen vehicles.

On the other hand, Ford opposes title II of the proposed legislation which would authorize DOT to set vehicle antitheft standards. This is one area where Ford and other manufacturers have substantial market incentive to make whatever vehicle improvements are likely to prove effective, making regulation unnecessary.

Senator PERCY. Haven't those incentives been operating all along? Do today's incentives differ from those of 10 years ago, 5 years ago, and if that principle holds, why hasn't an adequate system been devised?

Mr. WILLIAMS. With respect to the component identification program, this is one of the incentives. We want the theft of our cars to be less than any of our competitors. We also want to be sure there is some effect of component identification. I will address that point a little bit later, sir, if I may continue.

Further, specific antitheft standards could actually be counterproductive, if they result in more uniform approaches to anti-theft devices. In other words, compliance with a specific performance standard could limit the type of designs available reducing the number and type of devices the thief must overcome.

As I stated earlier, if Ford's component identification program proves effective, we will expand it and we expect other manufacturers would adopt similar programs. However, mandatory component identification is unnecessary and premature.

In addition to the positive initiatives taken by auto manufacturers there are a number of antitheft actions which can be implemented by others. For example, insurance companies could begin to require in-

spections before issuing insurance policies. New York, in an attempt to reduce fraudulent claims, has already taken action to require such inspections. Illinois requires vehicle dismantlers, recyclers, and salvage yard operators to keep records of transactions and sends State inspectors to periodically review the operator's records. We think these programs should be monitored closely as they may be a very effective way of limiting insurance fraud and chop shop operations.

In summary, we believe that improved vehicle security features will continue to be adopted by manufacturers and that regulatory action is both premature and unnecessary. We strongly urge Congress to consider legislation such as titles III and IV of S. 1214 and to encourage States in their law-enforcement programs.

Ford Motor Co. appreciates the opportunity to present its views on professional vehicle theft. If the committee has any questions, I would be pleased to answer them.

Senator PERCY. Thank you very much, indeed.

[At this point Senator Nunn left the hearing room.]

Senator PERCY. Your statement will be incorporated in the record in full, Mr. Martin. I do have a number of questions for you. Would it be possible for you to summarize your statement rather than reading the whole thing?

Mr. MARTIN. I did anticipate that there might be a press of time and I have taken my original statement and scratched out some. So I have a condensed version.

Senator PERCY. I have read your whole statement. If you would give those few extra excerpts from it, please.

[Prepared statement of Mr. David E. Martin follows:]

#### STATEMENT OF GENERAL MOTORS CORPORATION ON MOTOR VEHICLE THEFT

Mr. Chairman, I am David E. Martin, director, Automotive Safety Engineering, General Motors Corporation. General Motors welcomes the opportunity to address this subcommittee on the matter of motor vehicle theft. We support the subcommittee's initiative to examine the national problem of automobile theft and believe our remarks will be helpful in developing a prudent course of action.

#### INTRODUCTION

First, we want to emphasize that General Motors is very definitely concerned about the current number of auto thefts and the illegal trafficking in auto parts. Our concern is well-founded because, to the extent that GM cars are stolen, our customers can suffer immediate financial loss, not to mention of course, the inconvenience experienced through the loss of their vehicles.

Because of this concern GM, over the years, has introduced a number of security improvements. The majority of the security improvements to GM cars in the last two decades have been introduced voluntarily. Among some of the more significant features are the increased number of key codes in 1967, the steering column lock in 1969 and the two key system in 1974.

These and other improvements have evolved voluntarily as a result of our motivation to improve owner satisfaction by holding down the total cost of owning a GM car.

#### LACK OF DATA

While we believe our design changes have improved vehicle security, particularly with regard to amateur theft, we have not been able to verify the effectiveness of individual features primarily because the type of data needed to assess performance is not generally available from most theft statistics.

One of the major drawbacks in assessing the auto theft problem is the lack of adequate data. Total vehicle theft figures are incontrovertible as an indication

of the seriousness of the matter. However, manufacturers need more detailed data if we hope to evaluate the effectiveness of changes to vehicle security systems. This evaluation is complicated by "car desirability." We know that some models are favorite theft targets which, because of their "desirability", may offer sufficient incentive to overcome any reasonably practical level of security sophistication.

To illustrate what we mean by car desirability we have made some very preliminary estimates of theft rates using data available to manufacturers from the National Automobile Theft Bureau, coupled with our production figures for each completed model year over the past five years. This limited analysis shows that:

First, the theft rate of all current model GM cars per 1,000 cars produced has remained relatively constant for the past five years.

Second, the theft rate on the same basis of our "E" cars (Cadillac Eldorado, Buick Riviera and Oldsmobile Toronado) is significantly higher than the Corporate rate even though these vehicles contain the same basic security features as all other GM cars.

Third, there are significant differences in the theft rates for the individual "E" car models even though they are the same basic design and are produced on the same assembly line. Further, we need to know how vehicles are being stolen. In this regard, GM, in a joint project with several automobile insurance companies, embarked on a pilot program in 1977 to identify the kinds of data needed in properly assessing motor vehicle theft activity. One result of the study indicated that attacks on the steering column ignition lock cylinder was the principal method used to steal vehicles that were subsequently recovered. This reinforced our decision to change the method of lock cylinder retention, which was accomplished in the 1979 model year. While that survey had some inherent limitations, it clearly identified the range of data that is needed on a continuing basis in order to determine where improvements in anti-theft countermeasures could be made.

The survey and methodology have been made available to various state and federal agencies as well as numerous law enforcement officials. In addition, a copy of the survey was submitted to the NHTSA last year as an example of the type of data retrieval system that could be expanded and maintained to provide meaningful data to manufacturers.

Vehicle theft data collection appears to be at roughly the same state of development that vehicle safety data collection was eight years ago. NHTSA recognized the need for the safety information collection and instituted detailed accident data reporting systems. We are convinced that effective vehicle security programs should be predicated on similar data collection programs. In this regard, GM stands ready to cooperate fully with the subcommittee or appropriate governmental agencies.

Geographical difference in theft rates also needs to be considered. Available information indicates that automobile theft as an organized operation, while spreading, is concentrated in major cities. This suggests that countermeasures may not necessarily be needed on all cars and are likely to provide the greatest benefit when used on cars operated in and around high-theft urban areas. The insurance industry is responding to this phenomenon with a national program offering economic incentives in the form of comprehensive premium "discounts" to owners of vehicles equipped with anti-theft devices meeting certain criteria. We understand that a majority of the major insurance companies are participating, including Motors Insurance Corporation, the GM insurance subsidiary.

#### AMATEUR VS. PROFESSIONAL

General Motors believes the anti-theft features on most new cars today are quite effective in deterring or frustrating the amateur thief. As an example, prior to 1969 it was rather simple to mobilize a vehicle by "hot wiring" the ignition. This technique was virtually eliminated on GM passenger cars with the introduction of the steering column lock beginning with the 1969 model.

We believe that other available data support the position that existing security features have deterred the amateur thief. As stated by at least one witness earlier, statistics from the FBI Uniform Crime Report show, for instance, that from 1970-78 juvenile arrest rates for motor vehicle theft declined almost twice as fast as the total arrest rate for all motor vehicle thefts. Additionally, FBI data indicate that the recovery rate of stolen vehicles is declining. This fact, coupled

with a fairly constant theft rate for current models, strongly suggests that today's motor vehicle theft problem centers on professional theft operations.

This is confirmed by industry's experience with anti-theft measures and the ability of professional thieves to either defeat or circumvent those measures. Their ability to cope with new designs is enhanced by the necessity of providing design details of our security features to the vast network of service and repair facilities in order to satisfy the service needs of our customers. Unlike, for instance, bank vault security, where detailed knowledge of the system design and operation can easily be restricted to at most a handful of people, details of the anti-theft features of automobiles must be made available on a large scale basis to dealers and the aftermarket service and repair industry.

Service information is available to all GM dealers, other service organizations through a variety of channels, and to individuals through the purchase of service manuals as outlined in our Owner's Manual. As a result, the professional thief has access to and can become a part of this "educational" process which can keep him well informed of what countermeasures are on the car, where they are located, and even how they operate. Thus, in spite of the fact that the theft resistance of cars in general has improved steadily over the years, automobile theft has not been reduced to the extent we all wish.

While it could be argued that the theft rate is lower than it might be otherwise, there is no way to avoid the conclusion that the professional car thief, with an intense profit motive and little threat of incarceration, will eventually learn how to cope with anti-theft measures. Unlike bank vault locks, automotive locks are not and cannot be extremely complex since they must be mass produced, must provide reliable operation through many thousands of cycles, must be convenient to use by vehicle operators, and must be easily serviced by a variety of organizations.

#### CHOP SHOPS

The intense profit motives coupled with little threat of incarceration act to foster organized professional theft operations. Some repair shops may find it more profitable to use stolen parts rather than new parts or legitimate used parts. Also, the professional thief has recognized that the profits from so-called chop-shop activities far exceed the profits from the resale of complete vehicles. In these chop-shop operations, cars, usually late-model and expensive, are stolen, disassembled and reduced to their parts which are then resold.

The economic consequences of these professional operations are substantial. General Motors agrees with the growing number who contend that the licensing of those businesses which are inherently vulnerable to organized theft operations, such as salvage yards, dismantlers, rebuilders and vehicle scrappers, coupled with tighter record keeping requirements could reduce significantly the number of illicit chop-shop operations. Most encouraging is the considerable interest now being shown for this approach at the state level, most notably the states of Illinois and Washington. While it is too early to assess the results of these state programs in reducing auto theft, they may prove to be an acceptable, cost effective solution when backed up with proper enforcement. We urge that these programs now underway be monitored for their effectiveness and that the results be made available to all concerned.

While the licensing of these businesses will, in our opinion, be helpful in curtailing the use of stolen parts, another important step that should be taken is the enactment of uniform state titling laws, including uniform requirements for the surrender of titles of salvage vehicles. It is well recognized that titles from salvage vehicles are used extensively in the filing of fraudulent claims.

General Motors believes that uniform salvage titling procedures in every state, which would make it impossible to re-title a salvage vehicle without a thorough inspection by trained personnel, could be exceedingly helpful in establishing a much needed audit trail for law enforcement officials to follow to insure that vehicle identities are not illegally used. Taking such steps would follow the lead of manufacturers in issuing standardized, tamper resistant, Manufacturers Certificate of Origin which will be instrumental in deterring fraud in the registration and titling of new vehicles.

#### EXPORT OF VEHICLES

Another avenue used by the professional for the disposal of stolen vehicles and their parts is the export market. There are currently no provisions for checking

the identity of a vehicle leaving the U.S. We concur with previous testimony that it seems appropriate to require exporters of vehicles to provide custom officials with documentation showing proof of vehicle ownership. This, coupled with providing custom officials broader enforcement authority and the establishment of adequate civil and criminal penalties, could have a positive impact in reducing the export of stolen motor vehicles.

#### ADDITIONAL MEASURES

In addition to the enactment of uniform titling laws and tighter export controls, there are a number of other measures which could be taken to combat the problem of motor vehicle theft. For instance, a more effective means of deterring automobile theft insurance fraud seems essential. Latest figures estimate that fraudulent insurance claims account for up to 15 percent of all auto theft. Also, the insurance industry should be encouraged to continue offering economic incentives in the form of reduced comprehensive premiums to those insureds who purchase optional security features offered in the marketplace.

Increased public education also can play an important part, as there are a number of steps which vehicle owners can take to help reduce the chances of their vehicles being stolen (for instance, locking their vehicle when it is unattended, making sure the keys are not left in the ignition and parking in lighted areas). The Owner's Manual in all GM passenger cars urges the owner to observe these practices.

These precautions may appear to be actions that would normally be dictated by common sense. However, according to our 1977 vehicle theft survey, referenced earlier, of those stolen vehicles that were recovered, nearly 20 percent had the keys left in the ignition. We, as consumers, are for the most part creatures of habit. Increased public education could serve as a reminder to the consumer of his responsibility in reducing the national auto theft rate and that any reduction ultimately will be reflected in his cost of insurance.

Finally, it seems to be generally the case that auto theft is not given a very high priority either in law enforcement or in the judicial process. Perhaps this is due, in part, to public apathy toward auto theft, and the fact that the average citizen does not really think auto theft is a problem he will have to face. As a result of this attitude, it has been said that many prosecutors shy away from auto theft cases. Current penalties are rather modest if, indeed, they are levied at all and are rather ineffective in deterring repeat offenders. Contributing to the problem is the fact that motor vehicle theft, being in most cases a non-violent act, is usually not assigned a very high priority on court dockets as such acts must compete with crimes of murder, rape, etc. Consequently, unless car theft is given far more emphasis among law enforcement bodies—from police activities to the courts—we should not expect any substantial reduction in car theft.

#### SUMMARY

In summary, it is difficult to measure the effectiveness of vehicle security improvements because it is impossible to determine how many more vehicles would have been stolen if the security improvements were not made. It is clear that the absolute number of vehicle thefts has steadily increased in recent years, and means of reducing thefts should be sought. Reducing the cost of owning and operating a vehicle is our incentive to improve vehicle security. But we have an additional incentive to provide the customer with a vehicle which is convenient to operate. The goals of increased vehicle security and customer convenience are not always mutually achievable.

We continue to believe that there are a number of positive actions which can be taken, such as increase penalties, more vigorous law enforcement, tighter export controls, uniform titling and public education, etc. For vehicle manufacturers, we need more detailed data to direct our development of improved security features and the continued flexibility to respond to changing theft methods. We, at General Motors, will continue our efforts to improve the security features of our vehicles where we can identify those problem areas we believe can be effectively approached.

Mr. MARRIN: I think the thing that I would focus on in the statement concerns the feasibility of coping with the problem entirely

by means, or largely by means, of improved security features. Unlike a bank vault where in the design of the security features are both elaborate, massive, precision made, and known only to the manufacturer in detail, and perhaps to the bank, the security features in a vehicle by necessity must be mass produced, and the service instruction must be distributed to thousands of dealers and thousands of independent repair shops.

So, I am deeply concerned that we have a real dilemma here in terms of trying to gain the type of vehicle security that would really deter the professional thief. Here I might just digress for a moment and say that in some of the testimony here, I think I have heard reference made to the amateur thief in Mr. Howland's testimony, and I just point out that perhaps in our statement we are not using the word "amateur" in the same way that he is.

I tend to think of the amateur as a person—

Senator PERCY. What do you intend to mean by an amateur?

Mr. MARTIN. To me an amateur is a person who does not engage in it as a livelihood and I got the sense that Mr. Howland might think of the professional with low-grade skills and perhaps working on it less intensively as an amateur thief. So there is perhaps room for misunderstanding in that regard. There is no question that vehicle security can be improved by design such as those as you have seen illustrated in the film. The question that emerges is how that can best be accomplished and to what degree it should be accomplished, because with elaborate service instructions going all over the country, I believe that the professional will indeed learn how to circumvent those and do it in a length of time that will allow him to continue to make an excellent living, unless there are serious deterrents, a serious risk of that type of business to the professional thief.

So we really believe that the measures that relate to reintroducing the vehicle into commerce through the chop shops, reintroducing the vehicle into commerce by exporting it, things of this sort, that that is probably the most fruitful line of attack.

Again, relative to the question of the vehicle security features, if they are proscribed in terms of regulation, then one has to go through the notice of proposed rulemaking, and this, of course, signals to the professionals again what the vehicle manufacturer is attempting to do.

Clearly, the vehicle security features that we have introduced on vehicles over the years have been with the intent of making the ownership of the vehicle better in terms of its convenience, in terms of the possibility of loss. But the security features that we have introduced voluntarily, because of the natural incentive, have not been of the sort that are envisioned in terms of frustrating the professional thief.

Senator PERCY. I want to thank you very much, and I would like to say to all three of you that this subcommittee approaches you in the spirit of cooperation. We really want to work with you on this problem. You are very familiar with the problem. We have tried to bring out as many new facts as we possibly could to enlighten you, and so increase public, State, and local law enforcement awareness of the problem. We have also tried to emphasize to the FBI and the executive branch that the Congress looks on this as a major problem, and that we intend to upgrade the priority it is given.

If our public education effort succeeds, and the coalition that has been formed will help educate the public, the public response could be as important as it was when gasoline mileage was proven to be of economic import to the consumer.

The success of theft security devices could become an added sales feature. This committee has tried to stay away from uniform Federal regulations, if at all possible. Would you have an antitrust problem in collaborating, working together in a technical sense to solve this national problem?

Mr. MARTIN. Yes. I believe we do here. I think there are questions about restraint in trade, but I am not an authority on this and if I am misspeaking, I will have our legal people provide a statement to you on that.

Senator PERCY. We would like as many of the answers as possible to come from industry. However, as in air and water pollution, there have been times when nothing short of a uniform standard was sufficient.

Mr. MARTIN. If I may inject, I think the concept of vehicle security is contrary to the concept of uniformity. In other words, I don't think it would be productive even if there were no question of restraint of trade for all the manufacturers to have identical security features.

As a matter of fact, I think directly contrary to what you want. I think you want as many different security features on vehicles as possible.

Senator PERCY. I think you have made that point. It is quite evident that thieves seek out those cars that are the easiest to steal oftentimes, taking into account the demands of the market.

On page 4 of your statement, Mr. Martin, you say that available information indicates that organized automobile theft operations, while spreading, are concentrated in major cities. We have had testimony and, indeed the Uniform Crime Report for the first 6 months of this year show that auto theft is increasing dramatically in rural areas. The Director of the FBI declared auto theft the fastest growing crime in rural areas. Our second witness, Lieutenant McQuown of the Kentucky State Police, noted that in his home State chop shops sometimes prefer to operate in rural locations.

Is not auto theft of concern to rural communities as well?

Mr. MARTIN. Yes, I did hear the Director of the FBI speak this morning and my attention was caught by the statement of mine as well. Certainly, I defer to the FBI as having more updated information on the degree of that problem and its regional character.

Senator PERCY. The highest target cars have been the premium priced luxury cars, but do you anticipate that the growing sales of smaller, fuel-efficient cars will lead to more thefts of these cars?

Mr. MARTIN. As a matter of fact, I think there has been some testimony at these hearings that would indicate that that has already shown up.

Senator PERCY. Yes: this is already happening. Have all three companies experienced this?

Mr. COOK. In the Michigan area, I am involved in several committees, Michigan Anti-Car Theft Committee for one, which is sponsored by a lot of the insurance companies, and there are law enforcement people on those committees. So I deal quite a bit with

the law enforcement people, or the Detroit Auto Squad, if you will, and I have heard from one particular gentleman who approached me and said: boy, we are seeing more of your Omni's and Horizons now that are showing up on the list of stolen cars.

There seems to be a trend developing for the more fuel efficient cars. So there is an indication, yes.

Senator PERCY. Thank you, Mr. Cook. Mr. Williams?

Mr. WILLIAMS. Yes. I think the trend is there. As indicated by Judge Webster this morning, the theft rate is up 13 percent across the country. I think it reflects, the information that I have, tends to indicate that the expensive cars are still being stolen, but also fuel-efficient cars are now becoming more popular.

Senator PERCY. All of you have suggested that the antitheft measures of the past 10 years have put the amateurs out of business. But 66 percent of those arrested for auto theft today are juveniles, and the percentage of juvenile arrests for auto theft has been reduced by only 25 percent after a decade of combating the problem.

Have we really put an end to the juvenile and amateur theft problem?

Mr. MARTIN. I think we have to go back to what the concept of the amateur was. When I was alluding to that I was thinking primarily of the person who does it not for profit but as a joyride.

Ten years ago the type of entry that was quite common was to just hotwire the vehicle and with the advent of the column lock, that type of trivial action I think has been reduced substantially. Certainly young people are very inventive and do learn how to cope with these systems. But don't eliminate it.

Senator PERCY. I would like to mention the accident-prone nature of juvenile and amateur thieves. The National Safety Council indicates that 140,000 of the 1 million cars stolen each year are involved in accidents. The provisions of S. 1214 will greatly diminish motor vehicle theft, especially by joyriders, and should, therefore, reduce traffic accidents. Is this true in your judgment?

Mr. MARTIN. To the extent that we reduce the joyriding, I think that that will reduce the number of accidents. But in terms of the truly professional thief, when he is driving that vehicle away from the point of theft, I doubt that there are many drivers who are much safer than they. [Laughter.]

They certainly do not want to get into an accident.

Senator PERCY. Why did the automobile industry begin marking VIN's on passenger car engines and transmissions? When did that occur and what was the impetus for it?

Mr. MARTIN. As I recall, I believe that that relates to some State laws.

Senator PERCY. In other words, once two States enacted laws you decided to—

Mr. MARTIN. Once you start doing it for one State, it will spread.

Senator PERCY. Had the industry generally supported the requirement at the time? Or was it perceived as a needless law?

Mr. MARTIN. I am not aware of any data that would indicate how effective that is.

Mr. WILLIAMS. If I may interject, it was Tennessee and Georgia in 1968, Georgia, in 1968, and Tennessee was 1969, that required it. It was only on the passenger cars. The manufacturers have expanded the identification. As I have mentioned, we are putting it on the light trucks and also on our heavy trucks, which isn't required by any law.

Senator PERCY. Witness after witness testified to us that because the transmission and car engine had serial numbers they would dump them for junk and keep the unmarked parts. An engine is a valuable part of the car. They were selling it, practically new, for junk, because of the telling nature of the serial number.

Without a number, law enforcement is unable to identify a stolen car or part.

Mr. WILLIAMS. Could I interject on that?

Senator PERCY. Yes, of course.

Mr. WILLIAMS. From the testimony that I have read, it appears that the cars that are stolen by the people who testified were generally late model cars and primarily for a chop shop, maybe some were for a retag operation, but we don't know exactly how effective a number on an engine or transmission may or may not have been. But one thing to consider, if you are looking for crash parts or replacement parts, the engine really has very little value, because the engines and transmissions today last a relatively long time. Thus, there may not be a very high demand for the engines and transmissions and that is why they dump them.

Senator PERCY. The three thieves and every single law enforcement official concluded that the most effective way to deter professional motor vehicle theft is to mark body parts with VIN's.

Lieutenant Ivkovich noted that if you cracked down in Illinois, the salvage yard simply moves to Indiana, with cars stolen in Chicago or out of Indiana. He emphasized the need for both numbers on sheet metal parts and stricter regulations by the States. Do any of you disagree with that position?

Mr. MARTIN. I think parts identification can be helpful. Indeed, we are examining the program as you know from our previous correspondence. We were looking at the possibility of laser marking of certain components. While that particular program has not been successful, we are continuing to examine it and from the point of view of an examination of the feasibility of that, we are indeed working on it.

However I am not sure that that is the only way to do it. The experience you alluded to in Illinois, I think, was accomplished without parts identification, but by the law in Illinois that required record-keeping. Apparently that has been successful in Illinois, at least to the extent that the testimony indicated in this particular surveillance of some of the yards there.

So I think that what we would encourage is a continuing study of the Illinois law and the Washington State law to see if that by itself would be an effective way to do it. Again we are not opposed to the principle of parts identification marking if it proves to be the most cost beneficial way to approach the problem and if there are companion laws that do indeed make it effective.

Senator PERCY. Mr. Cook, Chrysler, in its August 22, 1979, response to subcommittee questions concerning the cost of VIN markings, estimated that \$2.60 of the vehicle price is attributable to marking VIN's on engines, transmissions and confidential locations. It is further estimated that major body panels could be marked with VIN's by applying a security tape, at an additional cost of \$3.55 per vehicle. Are these accurate figures?

Mr. COOK. I think they are as accurate as we could come up with at the time. The type of marking that we are talking about, the additional marking on the sheet metal parts was considering using the same type of tape that Ford Motor Co. is now using in their experimental program.

Senator PERCY. How much does it now cost General Motors to affix the required VIN's on its vehicles?

Mr. MARTIN. I am sorry, Senator. I can't bring that number to mind.

Senator PERCY. Could you supply it for the record?

Mr. MARTIN. Yes. Certainly.

[The information follows:]

The current cost for stamping and verifying VIN derivatives on the engine, transmission and confidential locations is estimated to be in the area of \$1 per unit.

Senator PERCY. How much would it cost to mark the major body parts, those most frequently sold on the stolen parts market? Do you have any idea, Mr. Williams?

Mr. WILLIAMS. That is one of the reasons we are conducting the experimental program. Our estimate at this point in time is that it would be less than 50 cents a part.

Senator PERCY. That is fairly accurate?

Mr. MARTIN. We have looked at that and we believe that about six additional parts could be labeled for somewhere in the vicinity, area of a few dollars.

Senator PERCY. We have been talking costs. What would self-adhesive VIN labeling of six additional components cost the consumer per vehicle? That would be a question for you, Mr. Williams. That was in your statement.

Mr. WILLIAMS. Would you repeat the question?

Senator PERCY. Could you give us an estimate of cost to the customer per vehicle for using the self-adhesive VIN label to mark the six additional components that you talked about in your statement?

Mr. WILLIAMS. I am sorry. I don't know what it would cost the customer. I don't know how that particular aspect of the program is being handled, but I will try to find the information out for you.

[Additional information furnished by Mr. Williams, Ford Motor Company, follows:]

It is difficult to specifically assess the consumer cost of one out of 10,000 or more vehicle components, particularly with experimental programs. In some cases with experimental programs, we absorb a part of the initial cost. This essentially resulted in the instance of the experimental component identification program. We do project that the future cost to consumers will be several dollars.

Senator PERCY. We would appreciate that. Unless there are security risks, can you describe how easy it is to remove the VIN from the 1980 Lincoln? If the VIN is removed what happens to the tape? Will any mark be left on the sheet metal part, for instance?

Mr. WILLIAMS. A skilled person could probably remove the label so that it would be very difficult to tell it had been affixed to the part. As I mentioned earlier, the label itself cannot be removed and can never be transferred from one fender to another fender in order to disguise the identity of a vehicle or to try to alter the identity of a fender.

But to answer your question specifically, it would be possible to remove the label so that it would not be visible, as having been affixed to the part.

Senator PERCY. Do you have any idea of the success of the pilot program so far? Then, I would like to ask the other companies if you would consider similar programs, if the Lincoln pilot project is successful. Have you been able to evaluate the success so far?

Mr. WILLIAMS. The time period has been just too short. I contacted my contact within the FBI just last week, as a matter of fact, and I haven't heard anything. I also interfaced with local and State law enforcement officers to see if they have had any input on it and to date there hasn't been any feedback at all on it.

Another point I would like to make, maybe I should have made on your earlier question, as Judge Webster mentioned this morning, even if the number is taken off, it would cause suspicion in the mind of the law enforcement officer that something was perhaps wrong.

Senator PERCY. Would you care to comment, both Chrysler and General Motors, as to whether this project might provide some incentive for you to move ahead in the same area.

Mr. COOK. For Chrysler Corp., certainly if identifying parts is an effective tool to reduce theft and let me say cost effective, we would obviously want to cooperate and do that. I simply again will raise our concern about the cost effectiveness. Today we put five public numbers on our vehicles, plus two confidential numbers. The five public numbers are the VIN plate on the windshield, on the Federal label on the door, on a body code plate under the hood, and then on the engine and transmission. And then we stamp in two confidential locations on the vehicle a derivative of the VIN that through our records the vehicle can be identified from those numbers.

The location of those confidential numbers is given to the FBI and the NATB and have been used, I am sure, successfully over the years to help identify stolen vehicles.

The labeling process is what appears to be after some brief evaluation an easy way to get numbers on those parts and the type of label that we have been talking about is one that probably cannot be counterfeited and cannot be removed without being destroyed. It is an ingenious label that has a latent image that cannot be seen without a certain type of light. You may be familiar with that kind of a glass process. If the law were to read that the removal of the number was also a criminal offense, then using the label would be effective as long as the label couldn't be counterfeited and cannot be reused. We would certainly be willing to do that kind of thing, if it is effective.

Senator PERCY. Would you care to comment on the same?

Mr. MARTIN. Yes. General Motors does have a program underway which will be implemented in the near future if we don't run into any snags to conduct a similar pilot marking of our luxury vehicles; six components. We are hopeful that this will move forward without any hitches.

Senator PERCY. Just one comment on plant security, specifically on the rosette rivets. Without rosette rivets professional thieves could not change the VIN plates on a stolen vehicle. They are kept under close guard for that reason.

Two of our witnesses last week said that they were able to obtain rosette rivets, no questions asked, for around \$1 apiece. Has the theft of rosette rivets been a problem for your companies and what kind of security precautions can you take to protect these rivets?

Mr. MARTIN. The supervisor of the operation where those are installed does have those under lock and key. Unfortunately, they are so small and so easily carried out of the plant that to have an absolute security on those is indeed very difficult.

One of the problems is that they are so easily lost, a person can legitimately lose them. This, however, is just one link in an entire system of vehicle security. And if some were not lost in the plant, one could easily tool up to have rosette rivets very similar to those, and at \$1 apiece you can imagine the incentive to make tools to make those.

Mr. COOK. Chrysler does have a similar type of security where the rivets, along with the VIN plates are kept in a locked box. They are brought out to the line in a locked box in a small number, but still because of the size of those rivets, it is very difficult to not let a few get out.

Mr. WILLIAMS. We, too, have a similar program with respect to the rosette rivet security, but as indicated, they are small, sometimes they are dropped on the line. The foreman tries to be sure that they are picked up, but it is a difficult problem because of the size of them, and if they are getting \$1 apiece for them, you can see the incentive for people to try to make false—falsify the rivet design itself, which is, as you probably are aware, unique with the industry.

Each one of us uses rosette rivets in an attempt to help law enforcement to identify when fraudulent use has been made of a VIN.

Senator PERCY. I understand that staff has a memo from the head of auto theft in Washington State, saying that in spite of that State's successes in combating auto theft, supplementary VIN marking is needed.

Do you have such a statement? If so, we will incorporate it in the record at this point. [See exhibit No. 33 on p. 363 of the Appendix.]

Mr. BERK. Yes; I do.

For the record, I would also like to note that in General Motors' September 14, 1979 response to the subcommittee's letter of August 3, 1979, it was estimated that the current cost for stamping and verifying VIN derivatives on the engine, transmission, and confidential locations is approximately \$1 per unit. The letter also states that, in the event that S. 1214 goes into effect as law, preliminary investigation indicates that the estimated cost per vehicle would be approximately \$5 or less for up to 6 additional VIN markings.

Mr. MARTIN. You brought the first number to mind.

Senator PERCY. It will be added in the record.

What criteria do you use in designing and building antitheft and security devices into cars? Have you been successful in meeting the standards that you set for yourself? In light of the increases in auto theft over the last decade, do you think tougher antitheft standards are necessary?

We will start right with you, Mr. Cook.

Mr. COOK. Our criteria has been in the past to try and make our vehicles not vulnerable, if you will, to the amateur thief. Again, I guess we need to qualify amateur.

With the steering-column lock and the type of lock system that we have, the pin tumbler lock, we have increased the number of key codes. One of the very significant things that we have done which is not relative to the vehicle theft, but to vehicle intrusion, is our deck lid lock. In 1972, we had indications that we were losing a lot of spare tires and a lot of personal items from the trunks of our cars and we went into a program where we designed what we feel is a significantly improved deck lid lock and followed, for the next 2 years, insurance data which showed a 90-percent improvement in that area.

When you say security features, my job as a staff man at Chrysler is to go into the line areas and watch as new designs come along. You don't necessarily call it a security feature, but it is just the design of the whole door system, the design of the steering column. It is a judgmental and subjective thing in many cases because you don't have a firm target that you shoot at. You have got a moving target out there and it is difficult, especially with the professional thief, you know that they are going to come up with a tool, probably, to defeat whatever you do.

But it is simply with experience, background, and judgment that we try as designs come along to make what improvements we can.

Senator PERCY. In discussions with the staff, Chrysler has indicated that the theft rate for Chrysler cars has remained lower than its percentage of the market.

Mr. COOK. That is correct.

Senator PERCY. Why is this so?

What do you think you are doing that the others aren't doing?

Mr. COOK. I guess I would like to say that we have better security devices, but I am afraid I don't have statistics to support that. I am afraid that part of it has to do with desirability. We don't have a Corvette.

Senator PERCY. You have got an Illinois-made Omni.

Mr. COOK. That is right.

Senator PERCY. In heavy demand.

Mr. COOK. That is correct.

Because we can't identify the effect of each specific device or security feature in the field?

There are not statistics that allow you to do that. We simply have the total statistics to show that our theft rate is lower in our market share and that indicates to us we are doing at least a competitive or maybe a little better than competitive job in our security devices.

Senator PERCY. Would you care to comment, Mr. Martin, on the criteria that General Motors has established and whether you have met your standards?

Mr. MARTIN. Certainly in some instances I would have to say that the information that I have received in recent weeks has indicated that we have not met some of the objectives that we hoped for, for example, the 3-minute penetration.

I think this does indicate that one does have to deal with a very subjective criteria and that with the passage of time, thieves will indeed become more inventive and find swifter ways to steal a vehicle.

However, we don't just concentrate on that type of a subjective criteria. We do look at what is happening in the field and make changes in the vehicle to try to stay ahead of the thief as far as is practicable.

For example, when we found that thieves were removing the lock from the door and using it to cut a key to get into the ignition, we went to the two-key system in 1974, to frustrate the thief in this regard. We conducted our theft survey in 1977 and found the extent to which the slam tool was used in pulling our lock. We redesigned that column lock system to try to deter that approach.

Unfortunately, in recent months we have found that there is another way to circumvent that lock. So it is a matter of having flexibility to stay ahead of the thief to the extent that it is practicable. But unfortunately, it is very difficult to design an objective criteria vehicle security so that you are confident that you do indeed have the system that will meet your objective as the thief comes along and conceives of something on the basis perhaps of your own service instructions, that causes you to go back to the drawing board.

Senator PERCY. By the way, Mr. Martin, do you use outside consultants at all to determine how your vehicles are being stolen?

Mr. MARTIN. Yes. We talked to law enforcement officials. We go to salvage yards and of course we have our Motor Insurance Corp. and we get information from them as well on it. Of course, we have our own designers and scientists inside the corporation that look at various designs and all the comments.

Senator PERCY. Mr. Williams?

Mr. WILLIAMS. We try to design a system to defeat the known methods of theft. For example, in some of the earlier models, we found they were susceptible to being defeated with the slam puller. We redesigned the system to thwart the use of the slam puller.

We have a two-method system of retaining the lock cylinder into the steering column. We use some hardened steel parts to do that.

We also found that another effective method was to torque the ears of the ignition lock cylinder. We increased the size of the lock cylinder and after we did that, we ran some tests trying to pretend they were the thieves and we found we made the cylinder so strong that we were shearing the brass tumbler pins. We had to go back to the drawing board and put some stainless steel pins into the lock cylinder to be effective in our judgment of thwarting the torque method.

We also made the lock strategically weaker in the area of the ears, so you couldn't transmit torque into the lock cylinder body. If you try to do it today, the cylinder ears twist with the torque. So we think that is a pretty effective method to defeat that type of method.

But as indicated already, once we do that, the thieves evolved to a different theft mode, of which now we have to take some additional action. We will probably have to continue to take additional action as we become more aware of what particular theft method is being used.

Senator PERCY. We have heard a good deal of testimony about the theft of big tractor trailer trucks and construction equipment. Do these

vehicles have antitheft devices and VIN markings similar to those of passenger cars. Can these vehicles be made more secure, and is attention being given to the security problems of these vehicles?

Mr. WILLIAMS. One of the things that I indicated in the testimony, we have started putting VIN numbers on the engine, transmission and each axle of our heavy trucks. There is a VIN derivative that is directly traceable back to the VIN number of the vehicle. We suspect it may help reduce the thefts of these vehicles.

We are not absolutely sure, but we are doing it and we will be able to find out if it does have any effect. The thing with the heavy duty trucks is that there is no evidence of any joy riding in heavy duty trucks. [Laughter.]

Most of the amateurs are juveniles who don't know how to drive one of them. We are dealing here again with a very sophisticated theft and the ability to steal or have access to all of the kinds of tools to defeat the security system that is in the vehicles.

There is no particular special type of security system in our heavy trucks.

Senator PERCY. I think that is sufficient.

Mr. Cook, if you could for the record, submit a copy of your study showing the 90 percent decrease in trunk thefts with the improved lock. We would appreciate that.

[The information requested follows:]

Insurance claim data was collected from Car City Insurance Company on the actual number of trunk break-ins reported on Chrysler Executive Lease Cars. These cars are geographically located wherever Chrysler has plants or offices with the heaviest concentration in the Detroit area. The new deck lid lock was first introduced as standard equipment on all 1973 model year Chrysler carlines and the data collected compares 1972 models with 1973 models as follows:

1972 models, 6,900 cars, 157 break-ins—2.28 percent; 1973 models, 7,300 cars, 16 break-ins—0.22 percent; reduction in break-in rate—90.95 percent.

Additional data was collected from Car City Insurance Company claims for all insured vehicles from January, 1972 through March, 1976 and even though no final report was prepared, a cursory analysis of the data indicate support for the Lease Car findings.

Further evidence of the effectiveness of the new lock can be found in the Michigan Department of State Police Stolen Vehicle Analysis System Report No. 6, dated November 22, 1974 which includes data collected from August through October, 1974. The report categorizes the number of stolen and recovered vehicles which have had the deck lid opened by violating the lock as follows:

1970, 1971, 1972 Model Year, 63 Chrysler vehicles, 10 lock violations—15.9 percent.

1973, 1974, 1975 Model Year, 66 Chrysler vehicles, 2 lock violations—3.0 percent. Even though the numbers are small, the indications are that the new lock is effective even when the vehicle is temporarily in the hands of a car thief.

Senator PERCY. Also, would each of you be willing to take any written questions that might occur to us, inasmuch as you are the final witnesses in this hearing. We will keep the record open for a week or 10 days so you can get those answers in.

Staff may have followup questions that would be helpful to us as well.

I do want to express great appreciation to you for the time you have put into this testimony. We look forward to working closely with you, as we have in many other instances. Through our combined efforts we can find a solution to this problem.

Again I want to commend the members of the public, business, and law enforcement agencies who have formed a coalition to halt automotive theft. In my opening statement I commended members of the staff for the work that they have done over the past 15 months. I want to reiterate the appreciation of the committee for the fine work they have done.

Finally, the counsel has a few exhibits to enter into the record.

Mr. BERK. Thank you, Senator. First of all—

Senator PERCY. They may be submitted en bloc.

Mr. BERK. The exhibits include our correspondence with the major domestic and foreign automobile manufacturers concerning professional motor vehicle theft problems; the introduction, resolutions, and conclusions reached by the National Workshop on Auto Theft Prevention, sponsored by the New York State Senate Committee on Transportation, held in New York City from October 3 to 6, 1978. The workshop drew together 300 participants from 30 States who were concerned, as we are, with the growing motor vehicle theft problem. It was superbly organized by New York Senator John Caemmerer and former Senator MacNeil Mitchell. I highly recommend that the entire compendium of proceedings be read by all those interested in doing something about vehicle theft. I would also like to enter into the record a copy of "Repossessions Procedures and Methods, Basic Automotive Locking," by Mr. Fred L. Jarm, Jr., of Arlington Heights, Ill. Although written for legitimate repossessioners, it is available to anyone, including thieves.

[The documents referred to were marked "Exhibit Nos. 33-36" for reference. Exhibits 33-35 are printed in the appendix and exhibit 36 may be found in the files of the subcommittee.]

Senator PERCY. The hearings are adjourned. Thank you very much.

[Whereupon, at 1:36 p.m., the subcommittee adjourned, subject to call of the Chair.]

[Senator present at time of adjournment: Senator Percy.]

## APPENDIX

### Exhibit No. 33

#### MEMORANDUM

TO: Chop Shop File

FROM: Jerry Block

RE: 12/3/79 Telephone Conversation with Lt. Mel Mooers  
Auto Theft Section Commander for the Washington State  
Police

I spoke to Lt. Mooers after reading the statements of the manufacturers in which they cited salvage and inspection laws of Washington State as a model to follow. In so doing, they suggested that federal legislation was not necessary. Lt. Mooers, however, is very strongly in favor of mandating the placement of VINs on the major sheet metal parts. He cited the problem of out-of-state vehicles which have been rebuilt. In inspecting those vehicles, there is no way that Washington State officials can determine whether those parts are stolen. Mooers stressed the point that without numbers on the parts, the part remains unidentifiable. He added that if every state had Washington's laws, we would still need VINs on the major body parts in order to stop chop shop operations. Even if salvage yards were closely regulated (and few states have the manpower to do an adequate job) chop shops could still sell their wares to the body repair shops unless they, too, are regulated, and no state at this time has attempted to do that.

(363)

Exhibit No. 34

ADAMANT BUREAU, CHIEF, CHICAGO  
 DENNY M. LACROIX, MANAGER  
 THOMAS P. DALLON, JR., MANAGER  
 LAWTON DALLON, JR., MANAGER  
 BOB DALLON, MANAGER  
 JOHN ALLEN, MANAGER  
 JIM KATZ, MANAGER  
 DAVID H. HAYES, MANAGER  
 CARL LYON, MANAGER

CHARLES H. FISHER, JR., MANAGER  
 JAMES H. SMITH, JR., MANAGER  
 WILLIAM S. WOOD, JR., MANAGER  
 TERRY STEPHENS, MANAGER  
 EDUARDO M. C. SUTHER, JR., MANAGER  
 JOHN E. DANFORTH, MANAGER  
 WILLIAM S. CONNOR, MANAGER  
 DAVID BURKHARDT, MANAGER

SENATORS  
 BOB FRANK, CHAIRMAN  
 HEARTY H. JACKSON, VICE CHAIRMAN  
 THOMAS P. KAUFMAN, MANAGER  
 LAWTON DALLON, JR., MANAGER  
 JOHN BLANK, MANAGER  
 JIM BAKER, MANAGER

SENATE STENOGRAPHERS  
 CHARLES H. FISHER, JR., MANAGER  
 JAMES H. SMITH, JR., MANAGER  
 WILLIAM S. WOOD, JR., MANAGER  
 TERRY STEPHENS, MANAGER  
 EDUARDO M. C. SUTHER, JR., MANAGER  
 JOHN E. DANFORTH, MANAGER  
 WILLIAM S. CONNOR, MANAGER  
 DAVID BURKHARDT, MANAGER

ROBERT A. WHELAN  
 CHIEF CLERK AND STAFF DIRECTOR

United States Senate

COMMITTEE ON GOVERNMENTAL AFFAIRS  
 SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS  
 WASHINGTON, D.C. 20510

July 3, 1979

Mr. Lee A. Iacocca  
 President  
 Chrysler Corporation  
 Box 1919  
 Detroit, Michigan 47231

Dear Mr. Iacocca:

Automobile theft is rapidly becoming one of the most serious crimes facing our nation today, costing the nation an estimated \$4 billion annually. The Federal Bureau of Investigation describes motor vehicle theft as "one of the most lucrative, illegitimate businesses today." Because of its high cost to our society, I urged the Senate Permanent Subcommittee on Investigations, where I serve as the ranking minority member, to authorize an investigation into this escalating problem.

The inquiry led to the conclusion that the alarming trend of professional auto theft cannot be reversed by unilateral action taken by federal or state governments, local law enforcement, the insurance industry, or the motor vehicle manufacturers. Rather, a coordinated approach to the problem is necessary. Consequently, Subcommittee staff joined with the Department of Justice and Senator Joseph Biden, Jr.'s office in drafting a bill which attacks the problem on several fronts. Senators Percy and Biden introduced the Motor Vehicle Theft Prevention Act of 1979 (S. 1214) on May 22, 1979.

Recently, the Permanent Subcommittee on Investigations unanimously authorized hearings on auto theft, based upon the staff's findings after eight months of investigation. The hearings, scheduled for later this summer, will focus on three main areas: chop shops and organized crime's increasing involvement in their operation; the exportation of stolen motor vehicles; and insurance fraud.

For purposes of these hearings, the Subcommittee would like to know Chrysler's views on several questions:

- 1) What impact would passage of the bill foreseeably have on the national auto theft rate, recovery rate, and the availability of used replacement parts?
- 2) What other measures should the nation take to deal with the increasingly costly auto theft problem?
- 3) What is the procedure Chrysler follows in supplying replacement parts for late model cars to automobile dealers and rebuilders?
  - a. Is it more costly to produce and supply replacement parts than it is to produce body parts on the assembly line? If so, why and by how much, percentage-wise?

- b. On the average, how soon after ordering replacement body parts do dealers receive the parts from Chrysler?
  - c. What is the difference between the price Chrysler charges dealers for replacement body parts and the standard price the dealers charge consumers for the same parts (excluding labor costs)? Please include a list of the wholesale and retail prices of the 10 most expensive replacement body parts (including a breakdown of shipping and handling fees).
- 4) Law enforcement experts have informed the Subcommittee that passage of the Motor Vehicle Theft Prevention Act of 1979 will lead to a sharp reduction both in the auto theft rate and the availability of illicit used replacement parts for late model cars.
- a. Does Chrysler have the present capability to increase significantly the production of replacement parts. Specifically, can Chrysler meet the potential increased demand for new replacement parts if the illicit market is substantially reduced? What problems, if any, could be expected?
  - b. Is Chrysler implementing or considering making any significant changes in its replacement parts procedure? If so, please specify.
- 5) How effective have your security changes been over the past two decades in curbing the auto theft problem? What future security changes is Chrysler considering?
- 6) What is the current cost per vehicle of marking VINs on motors, transmissions, and in confidential locations?
- 7) If S. 1214 is enacted and the Secretary of Transportation determines that placing VINs on major component parts is cost-effective, what do you estimate will be the cost per vehicle of marking additional parts?

In addition to making this request, I would like to thank Ed Heins and George Cook of your staff for meeting with Subcommittee staff on March 15, 1979. As you may have noticed, several changes recommended by your staff were incorporated into the revised bill. They include: a specific federal preemption provision which mandates that S. 1214 supercede all state anti-theft regulations; and a revised seizure and forfeiture provision to make sure that innocent possessors of stolen parts will not have their automobiles seized. These changes have clearly strengthened the legislation.

If you have any further questions about this request, please contact Howard Marks or Rick Shapiro of the Subcommittee at 202/224-9157. Because hearings are planned for late summer, your timely response is needed.

Sincerely,

Charles H. Percy  
United States Senator

**CHRYSLER  
CORPORATION**

S. L. TERRY  
VICE PRESIDENT  
PUBLIC RESPONSIBILITY  
AND CONSUMER AFFAIRS

August 22, 1979

The Honorable Charles H. Percy  
United States Senator  
4321 Dirksen Senate Office Building  
Washington, D.C. 20510

Dear Senator Percy:

Mr. Iacocca asked me to reply to your July 3, 1979 letter requesting Chrysler Corporation's comments on Senate Bill S. 1214, Motor Vehicle Theft Prevention Act of 1979, and answers to a number of questions relative to that legislation.

We also are concerned about the increasing rate of motor vehicle thefts. Over the years we have been working and will continue to work with the National Auto Theft Bureau, police organizations including the FBI, courts and other concerned governmental agencies in an effort to reduce the problem and to find ways to make the vehicles we manufacture more theft resistant. Statistics published by the FBI and the NATH indicate that our efforts have been successful because the percentage of Chrysler products stolen continues to remain substantially below our percentage of market penetration.

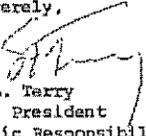
Chrysler Corporation generally supports the proposed Motor Vehicle Theft Prevention Act of 1979, and we believe that the adoption of many of its provisions would be beneficial. However, we have reservations regarding the effectiveness of the Title II provisions in curbing the activities of professional thieves. In our opinion, the promulgation of requirements that would mandate security devices for vehicles should be considered very carefully so that they do not fix performance parameters and tend to standardize vehicle designs. This could play into the hands of the professional thief since the requirements would be known and standardized defeat techniques could be developed.

We also question the provisions of Title II which would require that the VIN be applied to each major panel of new motor vehicles. We believe that to be effective and to close the loopholes for fencing operations the requirements should apply to new and used replacement components, as well as to components on new vehicles. However, as discussed in our answer to Question 1, the logistics of applying the VIN to replacement components in the field, providing security for the VIN labeling equipment, state and local enforcement of such a program, and checking each of the affixed VIN's at appropriate times during the vehicle's life may prove to be an unacceptable cost burden on taxpayers and the motoring public.

In our opinion, deterring the professional thief by development of standardized titling procedures, better control of vehicle dismantlers, junkers and body repair shops, and vigorous prosecution of thieves, rather than by regulation of new motor vehicles, would be more effective and less costly. As a start we suggest incorporation of the provisions of the State of Washington law which requires licensing of motor vehicle dismantlers and the keeping of records to permit the traceability of major vehicle components to their origin.

Our answers to the questions asked in your letter are attached. If you have any further questions we would be pleased to discuss them with you or your staff.

Sincerely,



S. L. Terry  
Vice President  
Public Responsibility  
and Consumer Affairs

/map

Att.

6/22/79

REPLY BY CHRYSLER CORPORATION TO QUESTIONSASKED BY SENATOR CHARLES H. PERCY ONS. 1214 - MOTOR VEHICLE THEFT PREVENTION ACT OF 1979

Following are Chrysler Corporation answers to the questions asked in Senator Charles H. Percy's July 3, 1979 letter on Senate Bill S. 1214 - Motor Vehicle Theft Prevention Act of 1979.

- (1) What impact would passage of the bill foreseeably have on the national auto theft rate, recovery rate, and the availability of used replacement parts?

Chrysler Corporation generally supports passage of Senate Bill S. 1214. We believe that the provisions contained in Titles III and IV of the Bill will be beneficial in reducing the national auto theft rate, increasing the recovery rate of stolen vehicles and reducing the illegal trade in stolen vehicle parts. However, we have reservations about the effectiveness of the Title II provisions in accomplishing these objectives. This section would require the Secretary of Transportation to promulgate regulations which would affect the design of new motor vehicles and would require the identification of major vehicle components.

Recently the NHTSA proposed an amendment to Federal Motor Vehicle Safety Standard 114 - Theft Protection which would require all new motor vehicles to be equipped with a number of additional new theft deterrents. In our comments on that proposal, copy attached, we pointed out that incorporating many of these devices may be counterproductive and increase the price of new vehicles without commensurate benefits.

Studies have shown that there are two distinct categories of auto thieves--"casual individuals" (amateur thieves and joyriders) and organized professional rings--with each requiring distinctly different countermeasures to combat their actions. The vehicle security requirements already specified in MVSS 114 have been effective in reducing injury accidents involving stolen cars and thwarting the efforts of the casual individual thief who steals a car for joyriding, transportation, quick money, or use in the commission of another crime.

Organized theft rings, on the other hand, develop sophisticated methods to defeat vehicle security systems. Attempting to counter the effort of these highly skilled criminals by regulating vehicles through the imposition of more stringent theft deterrence requirements could assist rather than deter their efforts because the

regulatory approach would fix performance parameters and tend to standardize vehicle designs which would be known to all. Consequently, standardized defeat procedures could be developed by professional thieves.

Furthermore, the mandatory incorporation of certain security devices should be carefully weighed because the degree of security that may be needed to deter the professional thief may severely inhibit serviceability, reduce vehicle utility, create new security problems, and/or affect unjustifiable cost to the consumer. In our opinion manufacturers should be provided with flexibility in order to devise their own countermeasures as field experience dictates and introduce the element of surprise to the professional thief.

For these reasons we recommend that Title II of the Bill be amended by deleting the directive requiring the Secretary of Transportation to issue standards relating to the security of new motor vehicles. In our opinion, the current requirements of MVSS 114 generally meet the needs for vehicle security. Recognizing the benefits that meeting those requirements provide to our customers, we have voluntarily chosen to meet them on the light duty trucks, buses and multipurpose passenger vehicles we manufacture.

Title II of the Bill also would direct the Secretary of Transportation to promulgate requirements for the identification of major vehicle components. This, of course, is technically feasible. However, we question the effectiveness and consumer cost/benefits of such a requirement.

We believe that to close the loopholes for fencing operations, such a program would have to include affixing the VIN to new and used replacement components installed in the field as well as components installed on new vehicles. However, adding the VIN to components installed in the field will present substantial security problems, considering the number of facilities that would have need for marking equipment. Any access to this equipment or acquisition of duplicate or similar equipment by thieves would destroy the effectiveness of the program and could make the problem worse than it is today.

In addition, we anticipate that the promulgation of a requirement for major component identification would add a substantial record-keeping burden on independent dealerships, body shops and other repair facilities. On the other hand, if responsibility for affixing the identification were assigned to parts distributors or wholesalers to alleviate this burden, repair shops would be unable to stock certain components, such as fenders, because they would not have the equipment to affix the required identification. This would have the

affect of delaying vehicle repairs and further increase inconvenience and overall costs to consumers.

In view of the problems discussed above with affixing VIN's to major vehicle components, we believe that deterring the professional thief through development of standardized titling procedures, better control of vehicle dismantlers, junkers and body repair shops, and vigorous prosecution of thieves would be more effective and less costly to consumers. As a start we suggest incorporation of the provisions of the State of Washington law which requires licensing of motor vehicle dismantlers and the keeping of records to permit the traceability of major vehicle components to their origin.

(2) What other measures should the nation take to deal with the increasingly costly auto theft problem?

As indicated in our reply to Question 1, we do not believe that requiring additional or more complex security devices on new motor vehicles will significantly deter professional thieves, because they will find ways to defeat them. We do support, however, extending the current passenger car requirements of MVSS 114 to light duty trucks, buses and multipurpose passenger vehicles as a deterrent to amateur thieves.

In our opinion the following measures in addition to Titles II and III of the Bill would do much to deter the activities of the professional thief:

- Better control of vehicle dismantlers, junkers and body repair shops.
- Vigorous investigation and prosecution of thieves and, if necessary, the Federal sponsorship and funding of inter-agency law enforcement task forces.
- Development of standardized forms and procedures for timely reporting of theft and recovery of vehicles.
- Development of standardized titling procedures throughout the country, including computerized chain of title records.
- Inspection of vehicles and ownership documents by duly authorized officials prior to registration or transfer of title.
- Development and implementation of an effective program to educate the public on auto theft prevention.
- Insurance industry accountability to insure that funds are dispersed only for the purchase of legitimate parts in the repair of damaged vehicles.

(3a) What is the procedure Chrysler follows in supplying replacement parts for late model cars to automobile dealers and rebuilders?

The attached booklet, "Closeup: Parts Distribution" describes our replacement parts distribution system.

(3b) Is it more costly to produce and supply replacement parts than it is to produce body parts on the assembly line? If so, why and by how much, percentage-wise?

The consumer price which we must charge for replacement parts is higher than the consumer price equivalent of the same part on a production vehicle. This difference varies depending upon the size and volume of parts sold. We cannot provide estimates of the percentage difference for representative parts because we have no reason to determine a consumer price for each part on production vehicles.

There are many reasons why replacement parts cost consumers more than the same part purchased on a new vehicle. This situation is not unique to the automotive industry, but rather applies to replacement parts for practically all consumer goods for essentially the same reasons. Basically, it is due to warehousing and handling. A lifetime stock of replacement parts cannot be warehoused at the completion of a model run because the cost would be prohibitive.

Rather, tooling is retained and as stocks are depleted, a new supply of replacement parts is manufactured on a much smaller scale. Consequently, inevitable cost penalties over OEM parts result from such items as:

- Tool storage costs.
- Increased costs in raw material due to smaller buys.
- Increased tooling setup costs due to amortization over shorter runs.
- More labor content - less efficiency because of less automation.
- More waste or scrap due to shorter runs.
- Higher inventory carrying costs for material held in long-time storage.
- Distribution costs for warehousing space, storage racks and transportation.
- Packing costs for small and/or fragile parts.
- Corrosion and surface protection for critical items.

(3c) On the average, how soon after ordering replacement body parts do dealers receive the parts from Chrysler?

The length of time required to deliver body parts to our dealers depends upon two main factors: whether the dealer is one serviced by our Dedicated Delivery System (DDS) or by commercial carrier, and

whether the particular part is stocked at regional depots. Where the part is field stocked at regional depots and the delivery is made by DDS, many deliveries would be within 24 hours of order placement; if commercial carrier is used, the time is usually 3 to 5 days. If the part is a low-demand one, stocked only at the National Depot, deliveries can vary from 2 days to as much as 15; the latter time represents a small minority of cases where the part is too large to ship by air and the dealer is a long distance from our National Depot.

- (3d) What is the difference between the price Chrysler charges dealers for replacement body parts and the standard price the dealers charge consumers for the same parts (excluding labor costs)? Please include a list of the wholesale and retail prices of the 10 most expensive replacement body parts (including a breakdown of shipping and handling fees).

Our pricing structure for replacement body parts (parts generally not available in the aftermarket) can be broken down into two general categories:

1. Sales to dealers who sell to retail consumers.

The dealer buys parts from Chrysler in accordance with prices as published in the Chrysler Master Parts Price List. The Price List in addition to showing dealer prices also shows "Suggested List Prices" that the

dealer can charge the consumer. (It is important to note that the list prices are "SUGGESTED" prices, as FTC regulations do not permit firm price setting to retail customers.)

The average gross margin that the dealer enjoys from selling to retail customers is 35% and can vary in accordance with the dealers ordering practices. For instance, if the dealer chooses to order his parts on a stock order, an additional discount of 5% off the Dealer Price is given. The discount would increase the Dealer Gross Margin, provided the list price to the consumer remains the same. Other factors such as Marketing Programs can affect selling prices both to dealers and retail customers.

2. Sales to dealers who act as wholesalers or as redistribution points selling to customers such as body shops and independent garages.

In some instances dealers act as wholesalers or redistribution points for sale of parts to other dealers, body shops, installers, etc. The dealer can purchase certain parts from Chrysler at dealer prices less a 25% wholesale allowance and then sell them at the

dealer price level. This yields the dealer an average gross margin of 30% when purchased on a stock order.

A list providing wholesale and retail prices for the ten most expensive replacement body parts on the 1979 Chrysler New Yorker models are given in Figure 1. We cannot provide a breakdown of shipping and handling costs because no separate charges are made for these services. Our prices include these charges--which are treated as a normal part of our gross margins--and we do not carry them as separate cost items.

(4) Law enforcement experts have informed the Subcommittee that passage of the Motor Vehicle Theft Prevention Act of 1979 will lead to a sharp reduction both in the auto theft rate and the availability of illicit used replacement parts for late model cars.

(4a) Does Chrysler have the present capability to increase significantly the production of replacement parts? Specifically, can Chrysler meet the potential increased demand for new replacement parts if the illicit market is substantially reduced. What problems, if any, could be expected?

Our Service and Parts Division should have no problems in meeting any increased demand resulting from implementation of S. 1214. Any increase in demand should be gradual and our procurement systems are designed to cope with such conditions effectively. Larger order quantities, in fact, would be easier to obtain.

(4b) Is Chrysler implementing or considering making any significant changes in its replacement parts procedure? If so, please specify.

No changes are contemplated or being considered as a direct consequence of the proposed legislation. However, we do maintain an ongoing review of our replacement parts procedures to provide optimum service to our customers and as more efficient ways of doing business are developed, changes will be implemented.

(5) How effective have your security changes been over the past two decades in curbing the auto theft problem? What future security changes is Chrysler considering?

Over the past two decades we have done many things to improve security in our products. Internal programs have been implemented to maintain security in the handling and processing of records. Special communications with and the transfer of records to the law enforcement community have been developed. Participation in related public hearings, seminars, and committees is maintained.

The following list identifies some of the more important security features that have been added to our products during this period:

- Increase number of key codes
- Keyless door locking
- Steering column lock
- Key warning buzzer

- Glove box and storage compartment locks
- Moving the lock knobs forward on 2-door models
- Improved dock lid lock
- Improved security of radios and tape decks
- Rotary door locks on Omni/Horizon models

As a result of these activities the theft rate of Chrysler vehicles since 1969 has been reduced to 9-10% of total vehicle thefts, even though our share of the market was 11-16%. During the 1978 calendar year, the theft rate of our vehicles was 7.6% of total vehicle thefts.

In the future Chrysler has plans which include the following:

- Factory installed security alarm system standard on some models and optional on some others
- Change in VIN plate color for easier reading
- More secure location of door lock actuators on additional models
- Use of an improved steering column lock retention device on additional models
- Improved security of Manufacturer's Certificate of Origin form
- Improved VIN plate replacement procedures in the field

Chrysler also intends to continue to monitor theft techniques and respond with changes as necessary, and to maintain our excellent relationship with law enforcement and investigative agencies throughout the United States in an effort to keep the theft rate of Chrysler vehicles one of the lowest in the industry.

- (6) What is the current cost per vehicle of marking VIN's on motors, transmissions, and in confidential locations?

We estimate that the portion of the vehicle retail price attributable to applying identification numbers on each engine and transmission and in confidential locations is \$2.60 per vehicle.

We point out that the identification number applied to our engines and transmissions is not the total VIN, but rather the last eight characters of that number, i.e. model year, assembly plant, and the six digit vehicle serial sequence number. The VIN for the vehicle can be derived through our computer programs if the identification number on the engine or transmission is provided to us.

- (7) If S. 1214 is enacted and the Secretary of Transportation determines that placing VIN's on major component parts is cost-effective, what do you estimate will be the cost per vehicle of marking additional parts?

Since no requirement has been proposed or promulgated for the application of VIN numbers to major body panels, a number of assumptions would have to be made to respond to this question. Factors such as the method of VIN application (security tape, stamped into metal, etc.), the number of panels on which it must appear, the character size, etc. will affect manufacturing costs. If it is assumed that any DOT regulation for marking major body panels on new vehicles could be satisfied by applying security tape similar to that manufactured by the Minnesota Mining and Manufacturing Company and imprinted with the VIN in normal typewriter size characters to seven body panels, we estimate that the consumer cost increase would be \$3.55 for each vehicle. On an industry-wide basis, this would cost consumers approximately \$40 million annually on passenger cars alone.

However, as we indicated in our reply to Question 1, to be effective the component identification approach requires that any replacement components, as well as new vehicle components, have the VIN affixed to them. The cost to consumers of applying the VIN to replacement components would be much greater than that indicated above for new vehicle components (all factors being equal). In order to minimize this additional cost we suggest that a very detailed study should be undertaken to assess costs under various scenarios, i.e. repair facility marking vs. parts depot marking, possible delays in parts availability due to VIN marking requirements, etc. Again, we believe that adoption of the State of Washington law would be a better approach.

TABLE I

COST OF REPLACEMENT BODY COMPONENTS

1979 CHRYSLER NEW YORKER

<u>Component</u>	<u>Retail</u>	<u>Dealer</u>	<u>Dealer Stock Order</u>	<u>Wholesale Allowance</u>
Door - Front	\$328.02	\$213.21	\$205.55	None
Door - Rear	310.45	201.80	191.71	None
Hood Panel	242.39	157.56	149.68	\$39.39
Deck Panel	242.39	157.56	149.68	39.39
Quarter Panel	205.33	133.47	126.80	33.37
Bumper Facebar - Front	200.03	130.02	123.52	32.51
Fender	192.78	125.31	119.04	31.33
Bumper Facebar - Rear	189.43	123.12	116.97	30.78
Roof Panel	132.05	85.83	81.54	21.46
Door Repair - Front	102.33	66.52	63.19	16.63
Door Repair - Rear	94.89	61.68	58.60	15.42

888

**CHRYSLER  
CORPORATION**

S. L. PERRY  
Vice President  
Federal Operations  
Chrysler Corporation

July 28, 1978

Docket Section  
National Highway Traffic  
Safety Administration  
400 Seventh St., SW  
Washington, D.C. 20590

RE: Docket 1-11; Notice 4  
Notice of Proposed Amendment  
MVSS 114 - Theft Protection

Chrysler Corporation submits the following comments on the referenced notice published in the Federal Register on May 1, 1978 (41 FR 10577). This notice proposed that MVSS 114 - Theft Protection be amended by adopting revised requirements and by extending its applicability to trucks of 10,000 lbs. or less GVWR and all multipurpose passenger vehicles.

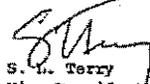
Chrysler Corporation believes that the current MVSS 114 has had a beneficial effect in deterring vehicle theft by amateurs. In view of the available theft statistics, Chrysler Corporation concurs with the Administrator's proposal to extend the standard to include light duty trucks and multipurpose passenger vehicles. Available statistics also indicate that further efforts to thwart the amateur thief would be beneficial. However, as pointed out in our attached comments, our experience indicates that many of the requirements proposed in this notice will not deter the amateur thief. Some, in fact, may be counterproductive. We believe there are other and better ways to accomplish the objectives sought in this proposal and we would be pleased to discuss them with the NHTSA.

The Administration expressed concern in this notice about the costs to the public of motor vehicle theft. In our opinion, deterring the theft of vehicles by professionals is the most productive way to significantly reduce the costs associated with vehicle theft. The adoption of the requirements proposed in this notice would not be effective in reducing professional motor vehicle thefts, but would depreciate vehicle serviceability and increase consumer costs. In fact, the adoption of requirements will foster standardization and uniformity and eliminate flexibility for manufacturers to devise countermeasures and introduce the element of surprise to the professional thief.

A number of the requirements proposed in this notice are vague, subjective and in some cases contain absolute values with no design tolerance. Furthermore, many of the proposed requirements do not contain demonstration procedures. We cannot assess and meaningfully comment on such requirements much less evaluate our ability to design products that will comply with those requirements.

For the reasons cited above, we urge that the NHTSA revise this proposal by redirecting the requirements to encompass only features which have a demonstrated benefit in reducing vehicle thefts by amateurs. In view of the extensive revisions that would be required to accomplish this, the revised proposal should be published in the form of a Notice of Proposed Rulemaking so that interested parties may provide comments.

Sincerely,



S. G. Terry  
Vice President  
Public Responsibility  
and Consumer Affairs

/map

Att.

## COMMENTS BY CHRYSLER CORPORATION ON

DOCKET 1-21; NOTICE 4

NOTICE OF PROPOSED AMENDMENT

MVSS 114 - THEFT PROTECTION

---

By notice published in the Federal Register on May 1, 1978 (43 FR 18577), the NHTSA is proposing to amend MVSS 114 - Theft Protection by extending its applicability to trucks of 10,000 lbs or less GVWR and all multipurpose passenger vehicles and by adopting requirements for:

- . Means to prevent accidental locking of the steering column
- . Separate door and ignition lock keys
- . 65 dB (A), outside the vehicle, key warning system
- . Shielding of the door lock mechanisms
- . Straight or tapered door lock buttons
- . Shielding the ignition wires in the passenger compartment
- . Ignition system to be inoperative if any part of the ignition lock is removed
- . Hood latch release from inside the passenger compartment

We believe the current MVSS 114 has been effective in deterring motor vehicle theft by amateur thieves and joyriders. In view of the available theft statistics, Chrysler Corporation concurs with the Administrator's proposal to extend the standard to include light duty trucks and multipurpose passenger vehicles. However, we

have serious reservation concerning the effectiveness of the added requirements proposed in this notice.

The Preliminary Impact Assessment clearly states that the proposed requirements are directed at deterring juvenile thefts but at the same time there is an attempt to support the issuance of the proposed requirements by virtue of the cost burden due to professional vehicle thefts. Chrysler finds this confusing. After reasonable steps have been taken to deter amateur thieves, product changes to deter professional thieves must be carefully evaluated because the degree of security that may be needed to accomplish this may severely inhibit vehicle serviceability, reduce vehicle utility, and affect unjustifiable cost to the consumer.

Chrysler has already stated that we believe the current MVSS 114 standard has had a beneficial affect in deterring juvenile "joyrider" thefts. We also believe that as more vehicles in the field are equipped with the steering column lock, as specified in the current MVSS 114, the benefits to law enforcement and the consumer will increase. Therefore, Chrysler believes that the extension of the current MVSS 114 to light duty trucks and MPV's is in order, but we strongly urge the Administrator to withdraw many of the proposed requirements for the following reasons:

- Some performance requirements are not completely described
- Some performance requirements are stated in absolute terms with no tolerance allowed
- Some requirements are stated in vague, subjective and/or all encompassing terms
- Some requirements are not supported with demonstrative procedures to establish compliance.

Because of these deficiencies we cannot assess and meaningfully comment on many of the proposed requirements because we cannot determine their product implications or evaluate consumer cost affects.

Paragraph 54.2 would require a mechanism to prevent the accidental locking of the steering column by either rotating or removing the ignition key while the vehicle is in motion. We concur that such a mechanism is highly desirable and based on our interpretation, we believe our current passenger cars equipped with steering column locks meet this proposed requirement. A separate physical action is required to accomplish locking of all of our steering columns. Transmission selectors must be placed in the "park" or "reverse" position, or a separate device must be operated. Our experience indicates that this system which requires the movement of a separate mechanism or device in addition to the movement of the ignition key provides a reliable means for preventing accidental activation of the steering column lock. If our interpretation is correct, we have no objection to this proposed requirement.

The following detailed comments on the other specific requirements in the notice, are arranged on a paragraph by paragraph basis. It is our view that some of these requirements would not be cost beneficial, that others are impossible to comply with and should be withdrawn, and still others are already requirements of the current standard.

54.1

"Each manufacturer, in meeting the requirements of 54.1, shall employ a locking system with at least 1,000 different combinations or with a separate combination for each vehicle manufactured annually."

The requirement is essentially the same as currently specified in MVSS 114.

54.4

"The ignition system lock shall not be operable with a key which operates any exterior lock in the vehicle."

We believe this proposed requirement for separate door and ignition lock keys is contrary to good security practices. We are trying to encourage motorists to remove the ignition key and lock the vehicle's doors. Utilizing one key for both these purposes enhances the probability of motorists doing both, whereas the use of two keys to accomplish the same end would be inconvenient and would probably result in fewer motorists locking the doors of their vehicles. To evaluate this proposal, a study was made of the National Automobile Theft Bureau annual reports for the last several years, and we can find no data that suggests that the current two-key system used by one manufacturer has been beneficial in reducing thefts. We are unaware of any other data to support the use of a two-key system.

To those skilled in the art of locksmithing and automobile lock repairing, it is obvious that an ignition key can be made from a door lock cylinder. However, a review of the detailed analysis of the theft 'modus operandi' statistics developed by the FBI in the 1975 vehicle theft survey suggests that this method of theft is seldom if ever used to steal Chrysler products. This method of

decoding which is readily adaptable to a plate tumbler key cylinder as used by some manufacturers is very difficult to apply to the pin tumbler key cylinders as used by Chrysler. Decoding a pin tumbler lock is a time-consuming, meticulous operation. The NHTSA has produced no data that demonstrates that thieves are using this method to steal our products, nor do we know of any such information. Additionally, when the door key matches the trunk compartment, the security in the trunk is completely and undesirably compromised. For our Chrysler vehicles, we are quite confident that the proposed two key system would be contrary to the best interests of our customers and counterproductive as far as theft protection is concerned. Therefore, we strongly urge that the requirement for separate door and ignition lock keys be withdrawn.

S4.5

"An audible warning to the driver, measuring 65 decibels A at a point outside the vehicle and 1 foot from the driver's door with all doors and windows closed, shall be activated whenever the engine or other main source of motive power has been turned off, the key has not been removed from the ignition lock, and the door has been opened. The warning shall operate continuously, even if the door is subsequently closed until the key is removed."

The warning system presently required by MVES 114 has proven to be an effective reminder to motorists that the key has not been removed from the ignition switch. The NHTSA states in the preamble that "recovered stolen vehicles with owner's key still in the ignition have dropped from a pre-standard 114 rate of 47% to an estimated current rate of 11.5%". Obviously, many motorists are still leaving the key in the ignition switch. This proposed requirement for an audible warning outside the vehicle may be effective in persuading these motorists to remove the key from the ignition switch. However, the requirement as written has some implications. For example, a continuously functioning warning system could eventually discharge the battery should an owner lock the keys in the vehicle and be unable to obtain assistance. This shortcoming could be overcome if the requirement permitted the buzzer to be shut off after at least two minutes of operation. Such a system might also "advertise" to a potential thief that the key was in the ignition switch. We suggest that the NHTSA equip a demonstration fleet with this type of warning system and evaluate its effectiveness in persuading motorists to remove the ignition key and to assess any shortcoming of this approach. Should this evaluation show that such a system is effective in persuading motorists to remove the ignition key and provides a substantial further reduction in the theft of vehicles with the keys left in them, we would support the adoption of such a requirement.

54.6

"The door lock mechanism contained within the door shall be shielded so that it cannot directly be contacted by external manipulative devices."

We believe this requirement as written is unreasonable and virtually impossible to comply with because compliance would require a design engineer to anticipate the ingenuity of the potential thief and yet undefined theft techniques in the designing of every door locking system. If substantial shielding requiring time to remove, is added, the servicing of the door lock system would become much more difficult and time consuming, thereby increasing repair costs. Our advance development indicates that there may be other ways of improving door lock security and we would be happy to discuss this subject with the NHTSA.

54.7

"Any vertical protrusion designed to move vertically and to operate the door lock within the passenger compartment shall be either of uniform thickness or tapered with the thicker end at the bottom."

We offer locking buttons of uniform thickness through our Service Parts outlets. However, our experience with these buttons indicates that children and impaired adults have difficulty in operating them and, therefore, we do not recommend adoption of this requirement. Moreover, we

have found that ingenious and determined thieves can operate door locking buttons that are either of uniform thickness or tapered almost as easily as they operate a normal locking button. Theft tools such as a rubberband on the end of a wire or a nut or washer on the end of a string have already been devised for this purpose. Consequently, we believe the adoption of this requirement would be an irritant to a great number of vehicle occupants, would foil the motorists should he lock his keys in the vehicle and would not provide any added protection against an ingenious and determined thief.

S4.8

"Wires which activate the ignition system shall be shielded so that they cannot be directly contacted from within the passenger compartment."

Attempts to shield the wires that activate the ignition system within the passenger compartment would pose serious build and service problems. The theft records we are aware of indicate that the current ignition lock and switch, buried in the steering column, is very effective against "hot-wiring" by amateurs. Any additional attempts to theft-proof other areas of the ignition is redundant. As a matter of fact, even if the vehicle's engine is started through hot-wiring within the engine compartment or by-passing the ignition lock and starter, the steering column lock effectively prevents the amateur thief from driving the vehicle.

S4.9

"The removal of any part of the ignition lock shall cause the ignition system to be inoperative."

This paragraph is written in language that is far too vague, subjective, and all-encompassing. In order for us to provide further meaningful comments we must know how compliance would be determined. But we can say "any part of the ignition lock" is far too general if interpreted literally. Any such requirement must be predicated upon the removal of the ignition lock.

S4.10

"The hood latch position, in the case of vehicles with one hood latch system, or primary hood latch system, in the case of vehicles with two hood latch systems, shall be operable only from within the passenger compartment."

We already offer an inside hood release on all vehicles so that technically we can comply with this requirement. However, it must be recognized that the actuation cable of an inside hood release may sometimes fail or get out of adjustment. If this requirement is interpreted literally, operation of the hood latch system from anywhere else but the passenger compartment would be prohibited. Again, the lack of a demonstration procedure prevents us from assessing the implications of the words "shall be operable only from within the passenger compartment".

In summary, we concur with the incorporation of features that have a demonstrated effectiveness in reducing vehicle thefts by amateurs but to incorporate features to try and deter the professional thief in our opinion would be wasteful of the consumer's money. We recognize that vehicle theft by professionals is becoming a much larger part of the overall theft problem than previously estimated. If we are going to make substantial progress in reducing vehicle theft, we are going to have to concentrate on the professional rather than trying to deter the amateur. This position is supported by the cover letter that is intended to be used by the Department of Justice to support enactment of a "Motor Vehicle Theft Prevention Act of 1978", wherein it is stated by the Attorney General "... that today's emerging motor vehicle thief does not "joyride" the vehicle. Instead he cuts the vehicle up for parts in so-called "chopshops" which are fenced in the legitimate market for the repair of damaged vehicles; retitles the vehicle using a salvage switch modus operandi or a counterfeit title; or transports or exports the vehicle out of the country." The underscoring has been added, to importantly direct attention to the recognition of the professional aspect of the problem. The best way to deter the professional thief is through better control of the vehicle dismantlers, junkers and body repair shops and vigorous prosecution of thieves rather than through product design changes mandated by anti-theft standards. Chrysler Corporation, and we believe, other manufacturers, continually work on methods to deter the professional thief and to be effective, these methods must "surprise" the professional thief. We believe that such standards would tend to have exactly the opposite effect. For the reasons cited above, we urge that the NHTSA revise this proposal by re-directing the requirements to encompass only features which have a demonstrated benefit in reducing vehicle thefts by amateurs. In view of the extensive revisions that would be required to accomplish this, the revised proposal should be published in the form of a Notice of Proposed Rulemaking so that interested parties may provide comments.

MEMBERS: DONALD W. RIEGEL, ILL.      CHARLES E. WERTZ, N.J.  
 JAMES H. EASTON, N.H.      JAMES H. EASTON, N.H.  
 LAWRENCE H. HOGAN, ILL.      WILLIAM V. ROYCE, IOWA  
 EARL BURNETT, N.C.      TEE STEVEN, ALASKA  
 JERRY GLENN, OHIO      CHARLES McE. MATTHEWS, JR., IND.  
 BOB BAKER, TEXAS      JOHN E. SHAWNOTT, MISS.  
 DONALD W. RIEGEL, ILL.      WILLIAM F. CLAY, MISS.  
 EARL BURNETT, N.C.      DAVID BURD-BAKER, MISS.

MEMBERS: DONALD W. RIEGEL, ILL.      CHARLES E. WERTZ, N.J.  
 JAMES H. EASTON, N.H.      JAMES H. EASTON, N.H.  
 LAWRENCE H. HOGAN, ILL.      WILLIAM V. ROYCE, IOWA  
 EARL BURNETT, N.C.      TEE STEVEN, ALASKA  
 JERRY GLENN, OHIO      CHARLES McE. MATTHEWS, JR., IND.  
 BOB BAKER, TEXAS      JOHN E. SHAWNOTT, MISS.  
 DONALD W. RIEGEL, ILL.      WILLIAM F. CLAY, MISS.  
 EARL BURNETT, N.C.      DAVID BURD-BAKER, MISS.

FRANK A. WAGNER  
 DEPT. OF COMMERCE AND TRADE COMMISSIONER

United States Senate  
 COMMITTEE ON  
 GOVERNMENTAL AFFAIRS  
 SENATE PERMANENT SUBCOMMITTEE  
 ON INVESTIGATIONS  
 WASHINGTON, D.C. 20510

August 31, 1979

Mr. Lee A. Iacocca  
 President  
 Chrysler Corporation  
 Box 1919  
 Detroit, Michigan 47231

Dear Mr. Iacocca:

We are writing in reference to the previous Subcommittee correspondence of July 2, 1979 concerning automobile theft. As we then noted, the United States Senate Permanent Subcommittee on Investigations will hold hearings on the subject of motor vehicle theft in the near future. The hearings will focus on the involvement of professional thieves in this crime and on "chop shop" operations.

In addition to the responses requested in the correspondence of July 2, the Subcommittee would appreciate receiving the following information:

1. Chrysler Corporation's assessment of the various considerations, including inventory, assembly, cost, transportation, and replacement of parts, that would arise if a federal mandate required the placement of Vehicle Identification Numbers on major crash replacement parts.
2. Beginning with 1969, a model year-by-model year listing of each anti-theft design modification introduced by Chrysler Corporation to curb vehicle theft. This listing should include modifications introduced on passenger cars, light-duty trucks, and recreational and off-road vehicles. In addition, please include in this listing:
  - a. the design and performance standards established by Chrysler Corporation for its vehicle anti-theft systems;
  - b. the manufacturer's and consumer's cost for each design modification cited in Part 2;
  - c. the intended theft-prevention effect of each design modification cited in Part 2; and
  - d. any data at your disposal indicating the impact of each design modification cited above on theft rates for Chrysler Corporation's vehicles.

3. A listing of all anti-theft design modifications to be introduced on Chrysler Corporation's passenger cars, light-duty trucks, and recreational and off-road vehicles for the model years 1980, 1981 and 1982. Furthermore, please indicate:
  - a. the design and performance standards established by Chrysler Corporation for its 1980, 1981, and 1982 vehicle anti-theft systems;
  - b. the intended theft-preventive effect of each anti-theft modification cited in Part 3;
  - c. whether the modifications cited above will be available as standard or optional equipment. Please indicate which models will carry the equipment and why these models have been selected; and
  - d. the manufacturer's and consumer's cost for each modification cited in Part 3.

In the course of this investigation, the Subcommittee has examined the costs and effectiveness of current vehicle anti-theft designs. The Subcommittee would, therefore, appreciate receiving the following additional information:

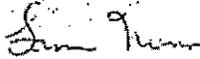
4. Chrysler Corporation's views on:
  - a. the feasibility of improving the theft resistance levels of Chrysler Corporation's present ignition systems by hardening the systems' steel components at all critical mechanical points;
  - b. the feasibility of redesigning Chrysler Corporation's ignition systems so that ignition cylinders are invulnerable to attack by slide hammers, dent pullers, or other extraction devices;
  - c. the effectiveness of such modifications in deterring amateur and professional vehicle theft; and
  - d. the manufacturer's and consumer's cost for the modifications discussed in Parts 4a and 4b.
5. A description of any efforts undertaken by Chrysler Corporation to develop a keyless, digital, electronic ignition system which carries the capability of locking and unlocking critical functions in the steering mechanism and/or drive train. If such efforts have been made, please detail the objectives.

hoped to be achieved, the cost associated with the development of such a system and the feasibility of introducing such a system on all of Chrysler Corporation's vehicles.

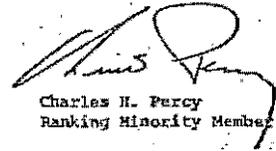
6. In lieu of mandated federal anti-theft standards, actions which could be taken by Chrysler Corporation to reduce significantly the motor vehicle theft rate.
7. Chrysler Corporation's viewpoint on its responsibility to the consumer to lessen and/or deter motor vehicle thefts.

If you have any further questions about this request, please contact Charles Berk of the Subcommittee staff at 202/224-9157. Because the Subcommittee's hearings are planned for the near future, it would be greatly appreciated if Chrysler Corporation's response is received before September 25, 1979. Your cooperation is greatly appreciated.

Sincerely,



Sam Nunn  
Chairman



Charles H. Percy  
Ranking Minority Member

**CHRYSLER  
CORPORATION**

S. L. TERRY  
VICE PRESIDENT  
PUBLIC RESPONSIBILITY  
AND CONSUMER AFFAIRS

October 1, 1979

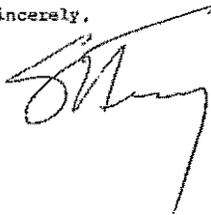
The Honorable Charles H. Percy  
United States Senator  
4321 Dirksen Senate Office Building  
Washington, D.C. 20590

Dear Senator Percy:

Attached are Chrysler Corporation's answers to the questions on auto theft asked in your August 31, 1979 letter. We hope this information will be helpful to the Senate Permanent Subcommittee on Investigations in its forthcoming hearings on motor vehicle theft. If there are any questions on the information we have provided, we would be pleased to discuss them with you or your staff.

As indicated in our August 22, 1979 reply to your earlier letter, we generally support the proposed Motor Vehicle Theft Prevention Act of 1979 (S. 1214). However, we have reservations about the effectiveness of the Title II provisions in curbing the activities of professional thieves. In our opinion standardized titling procedures, better control of vehicle dismantlers, inspection of vehicles and ownership documents upon registration or retitling, and vigorous prosecution of thieves would be more effective and less costly to consumers. Therefore, we recommend that consideration be given to adding these provisions to the Bill in place of the current provisions of Title II.

Sincerely,



/map

att.

cc: The Honorable Sam Nunn

REPLY BY CHRYSLER CORPORATION TO QUESTIONSASKED BY SENATOR CHARLES H. PERCY ONAUTO THEFT

Following are Chrysler Corporation's answers to the questions asked in Senator Charles H. Percy's August 21, 1979 letter on auto theft.

1. Chrysler Corporation's assessment of the various considerations, including inventory, assembly, cost, transportation, and replacement of parts, that would arise if a Federal Mandate required the placement of Vehicle Identification Numbers on major crash replacement parts.

Chrysler Corporation has serious reservations about the effectiveness and consumer cost/benefits of requiring that vehicle identification numbers be imprinted on or affixed to major vehicle components.

As pointed out in our reply to Senator Percy's earlier questionnaire, we believe that in order to close the loopholes for fencing operations, any such requirements would have to include the application of VIN's to new and used replacement components installed in the field, as well as on components installed on new vehicles. This, of course, is technically feasible. However, adding the VIN to components installed in the field will present substantial security problems, considering the number of

facilities that would have need for marking equipment. Any access to this equipment or acquisition of duplicate or similar equipment by thieves would permit VIN forgeries, thus destroying the effectiveness of the program. This could make the problem worse than it is today.

We also anticipate that the promulgation of the requirement for major component identification would add a substantial record-keeping burden on independent dealerships, body shops and other repair facilities. On the other hand, if responsibility for affixing the identification to new replacement components were assigned to parts distributors or wholesalers to alleviate some of this burden, dealerships and repair shops would be unable to stock certain components, such as fenders, because they would not have the equipment to affix the required identification. This would have the affect of delaying vehicle repairs and further increasing inconvenience and overall costs to consumers.

We cannot estimate the cost to the consumer of applying VIN's to replacement components because sufficient details of our obligations are not available. However, we believe that the major portion of the costs of complying with such a requirement would be incurred at the independent repair facility level rather than at the vehicle manufacturer level.

In view of the problems discussed above with affixing VIN's to major

vehicle components, we believe that deterring the professional thief through development of standardized titling procedures, better control of vehicle dismantlers, junkers and body repair shops, and vigorous prosecution of thieves would be more effective and less costly to consumers. As a start we suggest incorporation of the provisions of the recently enacted State of Washington law governing vehicle junking activities. Among other things this law requires that all motor vehicle dismantlers, wreckers, junkers, etc. be licensed. They are required to keep records, which may be inspected by police agencies, to verify the legitimate acquisition of all vehicles on their premises, an inventory of salvaged components indicating vehicle source, and the disposition of certain components. Falsification of records can result in license revocation or assessment of a civil penalty. We suggest that the Committee investigate and evaluate this law.

2. Beginning with 1969, a model year-by model year listing of each anti-theft design modification introduced by Chrysler Corporation to curb vehicle theft. This listing should include modifications introduced on passenger cars, light-duty trucks, and recreational and off-road vehicles. In addition, please include in this listing:
  - a. the design and performance standards established by Chrysler Corporation for its vehicle anti-theft systems;
  - b. the manufacturer's and consumer's cost for each design modification cited in Part 2;

- c. the intended theft-prevention effect of each design modification cited in Part 3; and
- d. any data at your disposal indicating the impact of each design modification cited above on theft rates for Chrysler Corporation's vehicles.

Over the years we have done many things to improve the security of the vehicles we manufacture. We believe that our programs have been effective in thwarting the efforts of the amateur thief who steals a car for joy-riding, transportation, quick money or use in the commission of another crime. As stated in our letter to Senator Percy on August 22, 1979, the theft rate of Chrysler vehicles since 1969 has been 8-10% of total vehicle thefts, while our market share varied between 11-16%, and in 1978 the theft rate of Chrysler vehicles was reduced to 7.6% of total vehicle thefts. We feel this to be the only meaningful measure of our total security program.

Organized theft rings, on the other hand, develop sophisticated methods to defeat vehicle security systems and if need be, haul vehicles away with tow trucks. Attempting to counter the efforts of these highly skilled criminals with the incorporation of complex security devices must be carefully weighed because the degree of security required may severely inhibit serviceability, reduce vehicle utility, create new security problems and/or impose unjustifiable and non-effective costs on the consumer.

Many of the improvements that we have made over the years on our vehicles are

not readily identifiable for inclusion in a listing as requested in Question 2. As a part of our normal new vehicle design programs attention is given to the many aspects of security. For example close inspection is made of the trunk locking systems to insure that they are not vulnerable to manipulation through removal of the license plate lamp or its wiring grommet.

Shown in Table I is a listing of those security system improvements which can be separated from normal vehicle design improvements and have been introduced from 1969 through the 1979 model year. The estimated consumer cost of each valued at 1979 economics, and the intended theft prevention effect for each item also are given.

This question also asked that we provide design and performance standards for our vehicle anti-theft systems. We currently employ several thousand Engineering Standards to describe the specifications and performance of the materials and components we purchase or manufacture for use in producing motor vehicles. To best control the quality, performance and durability of the finished product, whether it be a complete vehicle or one of its many systems, appropriate standards are applied to the individual components. This ensures that when the system is assembled from its many components, which may be obtained from a variety of sources both within the Corporation and from vendors, the parts will fit and the system will perform as intended. As a result we rarely develop design and/or

performance standards for vehicle systems. In the case of anti-theft systems we have not developed design or performance standards, but rather have applied many of our Engineering Process, Material and Performance Standards to individual components of the systems. For example, in the case of the steering column/ignition lock system, Engineering Standards cover the key cylinder, ignition switch, column lock actuating cam, shaft lock lever, shaft lock plate, etc. Those standards provide such elements as material specifications, component hardness, resistance to corrosion, surface finish, actuating forces and electrical characteristics. Because of the many standards involved and since they relate to components rather than total systems, we do not feel they would be of value for your hearings. Therefore, we have not included them.

In reference to part (d) of question 2, it is extremely difficult and most often impossible to identify the impact of a specific security feature on vehicle theft. In recent years special auto theft surveys were conducted by the U.S. Department of Justice-FBI, the Michigan Department of State Police-Crime Prevention Center, and the California Highway Patrol. These studies provided much useful information and gave a good indication of the effectiveness of the steering column lock. However, to determine the impact of other specific security features introduced on Chrysler vehicles is not possible. In this regard the Subcommittee might wish to consider some actions to provide statistical

data that would be meaningful in developing specific goals related to vehicle anti-theft systems. Statistics that would divide the type of vehicle theft into the two basic categories of amateur theft versus theft by organized rings would be a helpful beginning.

An example of Chrysler's reaction to theft statistics was the new deck lid lock that was introduced on our vehicles in 1973. Because of reports of increased trunk break-ins and spare tire theft, Chrysler initiated a program to monitor the comprehensive claims filed on the Corporation's employee lease cars and through the theft reports received from the Chrysler Insurance Company.

Preliminary data indicated that trunk break-ins were increasing at a rate of approximately 25% per year and that the cost of automobile larceny was also rapidly increasing. After two years of producing vehicles with the improved lock, and continuing to monitor the data, the results were extremely satisfying. Even though auto larceny continued to rise, trunk break-ins into Chrysler Corporation passenger cars equipped with the new lock had dropped over 90%.

3. A listing of all anti-theft design modifications to be introduced on Chrysler Corporation's passenger cars, light-duty trucks, and recreational and off-road vehicles for the model years 1980, 1981 and 1982. Furthermore, please indicate:
  - a. the design and performance standards established by Chrysler Corporation for its 1980, 1981 and 1982 vehicle anti-theft systems;

- b. the intended theft-prevention effect of each anti-theft modification cited in Part 3;
- c. whether the modifications cited above will be available as standard or optional equipment. Please indicate which models will carry the equipment and why these models have been selected; and
- d. the manufacturer's and consumer's cost for each modification cited in Part 3.

Table II lists the vehicle security improvements and features planned for our 1980, 1981 and 1982 models. These improvements are in addition to those which evolve during the normal new vehicle design process. This Table also indicates the intended theft-prevention effect of each, whether the item is standard or optional equipment, any model limitations and the reasons for selecting limited models, and the estimated consumer cost for each item, where available, valued at 1979 economics.

Our response to question 3.a. is the same as our response to question 2.a. and, therefore, need not be repeated.

4. Chrysler Corporation's views on:

- a. the feasibility of improving the theft resistance levels of Chrysler Corporation's present ignition system by hardening the system's steel components at all critical mechanical points;

In our opinion the present ignition steering column locking system, which has been improved by two significant modifications since the initial introduction, is very effective in deterring the theft of Chrysler vehicles.

The steel components at all critical mechanical points are already required by design specifications to be hardened to achieve maximum strength.

4. b. the feasibility of redesigning Chrysler Corporation's ignition systems so that ignition cylinders are invulnerable to attack by slide hammers, dent pullers, or other extraction devices;
- c. the effectiveness of such modifications in deterring amateur and professional vehicle theft; and
- d. the manufacturer's and consumer's cost for the modifications discussed in Parts 4.a. and 4.b.

As stated earlier, the theft rate of Chrysler Corporation vehicles has been one of the lowest in the industry relative to market share and we feel this to be the result of our attention to good anti-theft designs. Our present improved ignition lock cylinder retention design has been very effective in minimizing thefts by the amateur car thief and even in discouraging the professional. In our opinion it would be impractical to develop an ignition lock system that would be invulnerable to attack by devices that may be used by the professional thief to violate the steering column lock. Our experience indicates that professional thieves will take whatever steps are necessary to steal the car as long as a potential profit exists.

5. A description of any efforts undertaken by Chrysler Corporation to develop a keyless, digital, electronic ignition system which carries the capability of locking and unlocking critical functions in the steering mechanism and/or drive train. If such efforts have been made, please detail the objectives hoped to be achieved, the cost associated with the development of such a system and the feasibility of introducing such a system on all of Chrysler Corporation's vehicles.

Our experience with keyless, digital, electronic locking systems has been limited to the evaluation of door and deck lid systems provided to us by vendors. We are not aware of any adaptation of keyless type locks to ignition systems other than the C.H. system which is intended to inhibit drunk driving. However, our analysis indicates that in developing any such device the reliability of the means used to activate and de-activate the steering column lock would have to be carefully considered. The principal concern is that the steering column lock should not fail on an electrical failure occur while the vehicle is in motion. Although our experience with these types of devices is limited, we, nevertheless, have found no significant security advantage. In view of the anticipated cost penalty, we strongly recommend that any mandatory requirement for keyless locking systems be supported by a demonstrated vehicle security improvement so that consumers are assured that specific benefits will be derived for each dollar spent.

6. In lieu of mandated Federal anti-theft standards, actions which could be taken by Chrysler Corporation to reduce significantly the motor vehicle theft rate.

In our opinion unilateral action by motor vehicle manufacturers will not significantly reduce the motor vehicle theft rate. Substantial reduction in auto theft requires governmental action to curb the activities of professional auto thieves. However, attempting to counter the effort of highly skilled criminals by regulating vehicles through the imposition of

more stringent theft deterrence requirements could assist rather than deter their efforts because the regulatory approach would fix performance parameters and tend to standardize vehicle designs which would be known to all. Consequently, standardized defeat procedures could be developed by professional thieves.

We believe that the following measures in addition to Titles III and IV of Senate Bill S. 1214 would do much toward achieving this goal.

- Better control of vehicle dismantlers, junkers and body repair shops.
- Vigorous investigation and prosecution of thieves and, if necessary, the Federal sponsorship and funding of interagency law enforcement task forces.
- Development of standardized forms and procedures for timely reporting of theft and recovery of vehicles.
- Development of standardized titling procedures throughout the country, including computerized chain of title records.
- Inspection of vehicles and ownership documents by duly authorized officials prior to registration or transfer of title.
- Development and implementation of an effective program to educate the public on auto theft prevention.

- Insurance industry accountability to insure that funds are dispersed only for the purchase of legitimate parts in the repair of damaged vehicles.

In addition to supporting legislation in the above areas Chrysler intends to continue to monitor theft techniques and respond with changes as necessary, and to maintain our excellent relationship with law enforcement and investigative agencies throughout the United States in an effort to keep the theft rate of Chrysler vehicles one of the lowest in the industry.

7. Chrysler Corporation's viewpoint on its responsibility to the consumer to lessen and/or deter motor vehicle thefts.

We feel that our primary responsibility to the consumer is to give him maximum value for minimum cost. Thus the cost of each feature, whether it be theft protection or something else, must give our customers more value and/or utility than some other feature which we have not included. The rapidly rising cost of vehicle thefts in the United States has resulted in higher insurance costs which directly relates to the cost of operating the vehicles. One of our many objectives as a vehicle manufacturer is to provide our customers with vehicles that are economical to operate. To meet this objective we feel we have a responsibility to reduce the risk of vehicle theft and the resulting higher cost of operating our vehicles. We feel we have been successful over the years in maintaining a low theft rate. We also have an outstanding record of cooperation and involvement with the many law enforcement agencies, insurance companies, legislative bodies, and other organizations working toward reducing auto theft. Our plan is to continue our dedication to this goal.



TABLE I

## ANTI-THEFT DESIGN MODIFICATIONS INTRODUCED BY CHRYSLER CORPORATION

1969 Through 1979 Model Years

Model Year	Feature	Increased Theft-Prevention Effort	Est. Consumer Price--1979 Economics
1973	Improved deck lid lock--all passenger cars	Increased resistance to break-in to the vehicle trunk area	\$1.00
	Automatic locking tailgate as optional equipment on all full and mid-size station wagons	Increased probability of being locked when unattended. Tailgate would lock automatically whenever ignition turned to on position.	\$38.80
	Electronic security alarm as optional equipment on all full size passenger cars, discontinued in 1975	Discouraged theft and intrusion into the vehicle passenger compartment, hood or trunk area	\$118.00
	Inside hood release as optional equipment--all vans and pickup trucks	Increased the security of the engine compartment	\$13.00
	Keyless door locking--all vans and pickup trucks	Encouraged locking of the vehicle by simplifying the door locking procedure. Two-step operation--depresses lock button and closes door	Under \$1.00
1977	Vent windows eliminated on all compact cars	Reduced accessibility of the door locking button from outside the vehicle	0
1978	Positive latch detent on vent windows--all vans and pickup trucks	Reduced accessibility of the door locking button from outside the vehicle	\$1.00
	Positive over-center latch on side and rear windows on all vans	Reduced accessibility of the door locking button from outside the vehicle	\$2.00
	Steering column key cylinder retention improved on sub-compact passenger cars	Reduced vulnerability of the ignition lock to external forces. Accomplished by the use of a steel roll pin	Under \$1.00

TABLE I  
ANTI-THEFT DESIGN MODIFICATIONS INTRODUCED BY CHRYSLER CORPORATION  
1969 Through 1979 Model Years

<u>Model Year</u>	<u>Feature</u>	<u>Intended Theft-Prevention Effect</u>	<u>Est. Consumer Price-1979 Economics</u>
1978 (Cont.)	Locking steering column on all vans	Rendered the vehicle undrivable without the ignition key by locking the steering wheel	\$1.00
1979	Wheel cover locks with optional wire wheel covers on full and mid-size passenger cars	Reduced the theft of wheel covers	\$30.00
	Vent window option eliminated on all passenger cars	Reduced accessibility of door locking button from outside the vehicle	0
	Electric door lock as optional equipment on all vans and pickup trucks	Encouraged locking of the vehicle by electrically locking all doors from one convenient location	Van-\$128.00 Pickup-\$93.00
	Steering column key cylinder retention improved on full-size and compact passenger cars	Reduced vulnerability of the ignition lock to external forces. Accomplished by the use of a steel roll pin	Under \$1.00
	Locking steering column on all pickup trucks	Rendered the vehicle undrivable without the ignition key by locking the steering wheel	\$1.00

TABLE II  
ANTI-THEFT DESIGN MODIFICATIONS PLANNED BY CHRYSLER CORPORATION

Model Year	Feature	Intended Theft Prevention Effect	1980 Through 1982 Model Years	
			Est. Consumer Price-1979	Economics
1980	Steering column key cylinder retention improved on Chrysler Cordoba and Dodge Mirada models	Reduces vulnerability of the ignition lock to external forces. Accomplished by the use of a steel rail pin. All other passenger car models were previously equipped with this improvement	Under \$1.00	
	VIN plate color changed from black to argent--all passenger cars	Improved readability and hence VIN transcription	0	
	Security of Manufacturer's Certificate of Origin improved	Reduce the probability of fraud and counterfeit documents	Under \$1.00	
1981	Instrument panel mounted VIN plate added to all vans and pickup trucks	Improves vehicle identification. Argent VIN plate will be visible through windshield	Pickup \$1.00 Van-Under \$1.00	
	New 17-digit VIN system--all passenger cars, vans and pickup trucks	To improve vehicle identification with new standardized national VIN system	0	
	Electronic security alarm as standard equipment on mid-size luxury passenger car	Discourages theft and intrusion into the vehicle interior, hood and trunk area. This model was selected because of its intended luxury image and higher potential as a theft target. No costs are available because the system is still in the planning stage		
1982	Electronic security alarm as optional equipment on full and mid-size passenger cars	Discourages theft and intrusion into the vehicle hood and trunk area. These models were selected as filling a segment of the market where such a device may be desired. No costs are available because the system is still in the planning stage		

ABRAHAM RIBICOFF, CONN., CHAIRMAN  
 HENRY M. JACKSON, WASH.  
 THOMAS F. KANLITON, MD.  
 LEONID DUKER, FLA.  
 SAM ALPERT, ILL.  
 JOHN DUNN, OHIO  
 JIM BISHOP, TEXAS  
 BARRY M. PETER, ARIZ.  
 CARL ALTON, OREG.

CHARLES H. PERCY, ILL.  
 JACOB K. JAVITS, N.Y.  
 WILLIAM F. RORER, PA. DEL.  
 TED STEVENS, ALASKA  
 CHARLES McC. HATHORN, JR., W.VA.  
 JOHN C. DANFORTH, MO.  
 WILLIAM W. COCHRAN, MISSISS.  
 DAVID DURENBERGER, MONT.

FRANK A. WELSH  
 CHIEF COUNSEL AND STAFF DIRECTOR

## United States Senate

August 3, 1979

COMMITTEE ON  
 GOVERNMENTAL AFFAIRS  
 SENATE PERMANENT SUBCOMMITTEE  
 ON INVESTIGATIONS  
 WASHINGTON, D.C. 20510

SUBCOMMITTEE  
 SAM PUGH, CHAIRMAN  
 HENRY M. JACKSON, VICE CHAIRMAN  
 THOMAS F. KANLITON, MD.  
 LAWTON CHUTE, ALA.  
 JOHN GLASH, OHIO  
 USA BAKER, TEXAS  
 CHARLES W. PRACY, FLA.  
 JACOB K. JAVITS, N.Y.  
 WILLIAM W. COCHRAN, MISSISS.  
 CHARLES McC. HATHORN, JR., W.VA.  
 WILLIAM W. COCHRAN, MISSISS.  
 NORTY STEINBERG  
 DEPT. CHIEF OF STAFF  
 LAUREN S. ENFFY  
 GENERAL COUNSEL  
 ROBERT D. SIKKE  
 CHIEF COUNSEL TO THE SUBCOMMITTEE

Mr. Thomas A. Murphy  
 Chairman and Chief Executive Officer  
 General Motors Corporation  
 General Motors Building  
 Detroit, Michigan 48202

Dear Mr. Murphy:

Automobile theft is rapidly becoming one of the most serious crimes facing our nation today, costing the nation an estimated \$4 billion annually. The Federal Bureau of Investigation describes motor vehicle theft as "one of the most lucrative, illegitimate businesses today." Because of its high cost to our society, I urged the Senate Permanent Subcommittee on Investigations, where I serve as ranking minority member, to authorize an investigation into this escalating problem.

The inquiry led to the conclusion that the alarming trend of professional auto theft cannot be reversed by unilateral action taken by federal or state governments, local law enforcement, the insurance industry, or the motor vehicle manufacturers. Rather, a coordinated approach to the problem is necessary. Consequently, Subcommittee staff joined with the Department of Justice and Senator Joseph Biden, Jr.'s office in drafting a bill which attacks the problem on several fronts. Senators Percy and Biden introduced the Motor Vehicle Theft Prevention Act of 1979 (S. 1214) on May 22, 1979.

Recently, the Permanent Subcommittee on Investigations unanimously authorized hearings on auto theft, based upon the staff's findings after eight months of investigation. The hearings, scheduled for later this summer, will focus on three main areas: chop shops and organized crime's increasing involvement in their operation; the exportation of stolen motor vehicles; and insurance fraud.

For purposes of these hearings, the Subcommittee would like to know GM's views on several questions:

- 1) What impact would passage of the bill foreseeably have on the national auto theft rate, recovery rate and the availability of used replacement parts?
- 2) What other measures should the nation take to deal with the increasingly costly auto theft problem?

- 3a) What is the procedure GM follows in supplying replacement parts for late model cars to automobile dealers and rebuilders?
- b) Is it more costly to produce and supply replacement parts than it is to produce body parts on the assembly line? If so, why and by how much, percentage-wise?
- c) On the average, how soon after ordering replacement body parts do dealers receive the parts from GM?
- d) What is the difference between the price GM charges dealers for replacement body parts and the standard price the dealers charge consumers for the same parts (excluding labor costs)? Please include a list of the wholesale and retail prices of the 10 most expensive replacement body parts (including a breakdown of shipping and handling fees).
- 4) Law enforcement experts have informed the Subcommittee that passage of the Motor Vehicle Theft Prevention Act of 1979 will lead to a sharp reduction both in the auto theft rate and the availability of illicit used replacement parts for late model cars.
- a) Does GM have the present capability to increase significantly the production of replacement parts? Specifically, can GM meet the potential increased demand for new replacement parts if the illicit market is substantially reduced? What problems, if any, could be expected?
- b) Is GM implementing or considering making any significant changes in its replacement parts procedure? If so, please specify.
- 5) How effective have your security changes been over the past two decades in curbing the auto theft problem? What future security changes is GM considering?
- 6) What is the current cost per vehicle of marking VINs on motors, transmissions, and in confidential locations?
- 7) If S. 1214 is enacted and the Secretary of Transportation determines that placing VINs on major component parts is cost-effective, what do you estimate will be the cost per vehicle of marking additional parts?

If you have any further questions about this request, please contact Howard Marks or Rick Shapizo of the Subcommittee staff at 202/224-9157. Because hearings are planned for late summer, your timely response is needed.

Sincerely,

Charles H. Percy  
United States Senator

CEP:bes

GENERAL MOTORS CORPORATION  
GENERAL MOTORS BUILDING  
DETROIT, MICHIGAN 48202

September 14, 1979

ROBERT F. MACILL  
Vice President

The Honorable  
Charles H. Percy  
United States Senate  
Washington, D.C. 20510

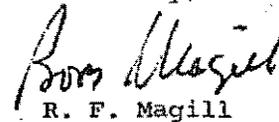
Dear Senator Percy:

In your letter of August 3, to T. A. Murphy, chairman of General Motors, you asked that General Motors respond to a number of questions regarding the matter of vehicle theft.

Our response to each of the questions is attached.

We trust you will find this information helpful in preparing for your hearings on auto theft.

Sincerely,

  
R. F. Magill

Att.

Q. 1 What impact would passage of the bill foreseeably have on the national auto theft rate; recovery rate; and the availability of used replacement parts?

A. The Motor Vehicle Theft Prevention Act of 1979 is a rather broad piece of legislation. Any measure of the bill's impact on theft rates, recovery rates and replacement parts must be discussed in the context of specific provisions.

As we have stated in previous discussions with your staff, there are a number of provisions set forth in the bill which could have a positive impact on the national auto theft rate. Increased penalty provisions and tighter export controls are prime examples.

However, the setting of anti-theft standards for vehicles which would require the installation of security devices is likely to have little, if any, impact on professional theft operations over the long term. This has been the case in the past as thefts have risen despite the fact that many vehicle-related measures have been taken to reduce car thefts. Thus, because of the professional thief's demonstrated ability to cope with anti-theft devices, any benefits which might be realized are likely to be temporary at best. Moreover, the publication of government anti-theft standards and the public information exchange that is bound to occur during rulemaking, may actually be counterproductive. Such information can keep the professional thief well informed of what countermeasures are on the vehicle, their location and even how they operate. Thus, in contrast to other types of regulation, there is merit in keeping the specific detail of advances in theft protection out of public discussion.

We are unaware of any reliable evidence which would indicate that placing identification numbers on major vehicle components would have any deterrent effect on vehicle thefts. Conceivably, parts identification could help law enforcement groups in identifying stolen parts. However, unless a more vigorous effort is made to apprehend auto thieves and the penalties for auto theft are strengthened and maintained in practice, parts marking is not likely to have a significant impact on auto theft.

Finally, General Motors does not believe the proposed legislation will have any bearing on the availability of used replacement parts.

Q. 2      What other measures should the nation take to deal with the increasingly costly auto theft problem?

A.   It is generally agreed that the problem of auto theft is primarily an economic matter. Intense profit motives coupled with little threat of incarceration act to foster organized theft operations. In addition to stiffer penalties and tighter export control, there are a number of measures which merit consideration.

The most vulnerable businesses for organized theft operations are salvage yard operators, dismantlers, rebuilders and vehicle scrappers. Licensing of the businesses along with imposing tighter recordkeeping requirements could have a positive impact

on "chop shop" operations. Considerable interest is now being shown for this approach at the state level.

Fraudulent insurance claims for motor vehicle theft is another major contributor to the national theft rate. Increased penalties for theft insurance fraud could have a positive impact.

Uniform state titling laws would also be helpful, by establishing rigid requirements for the registration, titling, sale and transfer of a vehicle. Such records would create an audit trail for law enforcement officials to follow.

The insurance industry should be encouraged to offer economic incentives in the form of reduced comprehensive premiums to those insureds who purchase optional security features offered in the marketplace.

Increased public education seems essential. There are a number of steps which vehicle owners can take to help reduce the chances of their vehicles being stolen. Locking the vehicle when it is unattended, making sure the keys are not left in the ignition, and parking in lighted areas are a few examples. While these precautions may appear to be actions that would normally be dictated by common sense, the fact still remains that of those stolen vehicles that are recovered, approximately 20 percent have the keys left in the ignition. We, as consumers, are for the

most part creatures of habit. Increased public education could serve as a reminder to the consumer of his responsibility in reducing the national auto theft rate and that any reduction will be reflected in his cost of insurance.

Finally, greater emphasis must be given to auto theft at the local enforcement level. Many citizens still regard vehicle theft as a "teenage prank." This public apathy has contributed to a lack of antitheft campaigns and indifference of various government agencies. We have heard that law enforcement officials often complain that prosecutors are reluctant to accept auto theft cases, opting for the more glamorous cases. The courts, too, reflect a similar attitude. Since car theft does not rank with bank robbery or murder, light or suspended sentences are fairly common for car thieves, even for repeat offenders.

Q. 3a What is the procedure followed in supplying replacement parts for late model cars to automobile dealers and rebuilders?

A. GM Parts Division supplies all replacement parts (except tires and batteries) for GM vehicles to GM car and truck dealers. An inventory of parts is maintained in GM parts warehouses located throughout the country. Replacement parts are supplied to GM dealers as they are ordered by the dealer. Regular inventory or high priority orders can be placed by phone, mail or direct by computer.

On a limited basis, GM's AC Delco Division does supply parts to rebuilders via individual Rebuilder Sales Agreements.

Q. 3b Is it more costly to produce and supply replacement parts than it is to produce body parts on the assembly-line? If so, why and by how much, percentage-wise?

A. There is no difference in the cost of producing a current model part for vehicle production versus a part solely for replacement provided these are all produced during the same production run. However, if replacement parts, such as doors or hoods, must be produced at a later date -- sometimes several years later -- the cost of production can be significantly higher.

While there are no significant differences in the costs of producing a current part versus a replacement part, there are major differences in the methods of distribution that adds substantial costs to supplying the ultimate customer with a replacement part. The following describes the general methods of distributing the production and replacement part:

A part for vehicle production is produced by the manufacturing plant in volume, shipped bulk in carload quantities to an assembly plant, where it is assembled on the vehicle and painted if required. The vehicle is then shipped directly to a dealer and then sold to a customer within a relatively short time.

A replacement part is produced by the manufacturing plant and shipped in bulk to a parts plant where it is prime painted if required for preservation, individually packaged and placed in inventory. Parts from this back-up inventory are shipped to field warehouses to replenish inventories maintained at these

locations to supply dealer requirements. Dealer orders for individual part numbers in any quantity are shipped from these field warehouse inventories. The foregoing applies to the major portion of the volume of replacement parts and represents approximately 20% of the part numbers but over 90% of the volume. The balance of the slow moving, low volume, part numbers are handled in a similar manner, with the exception that they are stocked only in a parts plant and supplied directly to the dealer from that location.

Q. 3c On the average, how soon after ordering replacement body parts do dealers receive the parts?

A. The time involved in supplying dealers with body parts is determined by the type of order submitted by the dealer.

Generally, dealer orders are shipped within two working days following the dealer's stock order due date established by GM Parts.

Supplementary stock orders and orders for vehicles that are inoperative, if received before noon, are generally shipped from the appropriate Parts Distribution Center not later than the next working day, depending upon carrier schedules.

Supplementary stock orders and car inoperative orders received after noon, are shipped not later than the second working day, again depending upon carrier schedules.

Parts included on supplementary stock orders and car inoperative orders, that originate from a Parts Plant, are shipped not later than the second next working day following the day the order is received.

Q. 3d What is the difference between the price charged dealers for replacement body parts and the standard price the dealers charge consumers for the same parts (excluding labor costs)? Please include a list of the wholesale and retail prices of the 10 most expensive replacement body parts (including a breakdown of shipping and handling fees).

The price that dealers charge consumer for replacement body parts is determined by the individual dealer as he is an independent business man and General Motors does not establish his selling prices. However, General Motors does provide the dealers with suggested list prices. These suggested list prices generally provide the dealer a 40% margin. Attached is a schedule of the suggested list and dealer prices of a representative group of the higher priced body parts for GM vehicles.

GENERAL MOTORS PARTS DIVISION  
 EXAMPLES OF PRICES OF MAJOR BODY PARTS

Vehicle Model Application 1979 - 2 Door Models	Type Part	Prices as of 8-15-79	
		Suggested List \$	Dealer \$
Chevrolet Malibu	Fender	129.00	76.80
Oldsmobile Cutlass Salon	Fender	146.00	87.60
Chevrolet Impala	Fender	123.00	73.80
Oldsmobile Delta 88	Fender	161.00	96.60
Chevrolet Malibu	Hood	164.00	98.40
Oldsmobile Cutlass Salon	Hood	190.00	114.00
Chevrolet Impala	Hood	164.00	98.40
Oldsmobile Delta 88	Hood	226.00	135.60
Chevrolet Malibu	Quarter Panel	210.00	126.00
Oldsmobile Cutlass Salon	Quarter Panel	232.00	139.20
Chevrolet Impala	Quarter Panel	216.00	129.60
Oldsmobile Delta 88	Quarter Panel	237.00	142.20
Chevrolet Malibu	Deck Lid	206.00	123.60
Oldsmobile Cutlass Salon	Deck Lid	214.00	128.40
Chevrolet Impala	Deck Lid	210.00	126.00
Oldsmobile Delta 88	Deck Lid	229.00	137.40
Chevrolet Malibu	Front Bumper Bar - 1 pc.	114.00	68.40
Oldsmobile Cutlass Salon	Front Bumper Bar - 2 pc. *	292.00	175.20
Chevrolet Impala	Front Bumper Bar - 1 pc.	133.00	79.80
Oldsmobile Delta 88	Front Bumper Bar - 1 pc.	219.00	131.40

\* Two Piece Bumper -  
 Primary & Upper

Q. 4a Do you presently have the capability to increase significantly the production of replacement parts? Specifically, can you meet the potential increased demand for new replacement parts if the illicit market is substantially reduced? What problems, if any, could be expected?

A. General Motors does not anticipate any significant increase in the total demand for either production or replacement automotive parts, as a result of a reduction in the illicit parts market. Accordingly, we foresee no major problems in meeting future demand from available production facilities.

Q. 4b Are you implementing or considering making any significant changes in your replacement parts procedure? If so, please specify.

A. General Motors has no present plans for making any significant changes in its replacement parts procedure.

Q. 5 How effective have your security changes been over the past two decades in curbing the auto theft problem? What future security changes are you considering?

A. General Motors has made no less than 40 vehicle security improvements over the past two decades, all of which have been effective to some degree in increasing the security of GM vehicles. However, the professional thief, in time, usually learns to defeat vehicle security improvements or develops new methods of stealing vehicles. As a result, many vehicle security improvements have only a short term effect on reducing auto theft.

It is difficult to measure the effectiveness of security changes because it is impossible to determine how many more vehicles would have been stolen if the security changes were not made. It is clear that the absolute number of vehicle thefts has steadily increased in recent years. But it is also clear that the proportion of thefts to the total vehicle population, or theft rate, has steadily declined despite the increasing appeal of vehicles as demonstrated by sales figures.

While we feel that each of the specific design changes we have made to enhance security has been effective, we have, for the most part, not been able to verify their effectiveness through theft studies. We have found that the type of data needed to adequately assess performance is not generally available through most theft statistics, as they do not usually address the manner in which a vehicle is entered or stolen.

With regard to future security changes, General Motors believes that discussion of such security measures in a public forum would be counterproductive. Such discussion would give thieves advanced information on new countermeasures which we believe is not in the public interest.

Q. 6 What is the current cost per vehicle of marking VINs on motors, transmissions and in confidential locations?

A. The current cost for stamping and verifying VIN derivatives on the engine, transmission and confidential locations is estimated to be in the area of \$1.00 per unit.

Q. 7 If S. 1214 is enacted and the Secretary of Transportation determines that placing VINs on major component parts is cost-effective, what do you estimate will be the cost per vehicle of marking additional parts?

A. General Motors is currently evaluating various alternative to marking component parts. The associated costs, of course, are dependent upon the method selected and, of course, on the number of parts to be marked. Our preliminary investigation thus far indicates an estimated cost per vehicle of \$5.00 or less, for up to six additional locations.

AMERICAN PRINCIPAL, CHAIRMAN  
 HENRY M. JACKSON, WASH.  
 HENRY M. JACKSON, WASH.

CHARLES H. PERCY, R.I.  
 JACOB K. JAVITS, N.Y.  
 WILLIAM V. ROYCE, JR., D.C.  
 TUDOR STUBBS, ALABAMA  
 EDWARD W. CLAYTON, JR., MD.  
 JOHN E. STANTON, MD.  
 WILLIAM B. EPPER, MISS.  
 DAVID C. BISHOP, MISS.

SENATOR  
 HENRY M. JACKSON, WASH.  
 THOMAS P. EARLETT, MISS.  
 LANTON C. BELL, MISS.  
 JOHN E. STANTON, MD.  
 JIM BAKER, TEXAS  
 CHARLES H. PERCY, R.I.  
 JACOB K. JAVITS, N.Y.  
 WILLIAM V. ROYCE, JR., D.C.  
 TUDOR STUBBS, ALABAMA  
 EDWARD W. CLAYTON, JR., MD.  
 JOHN E. STANTON, MD.  
 WILLIAM B. EPPER, MISS.  
 DAVID C. BISHOP, MISS.

ROBERT A. WEAVER  
 CHIEF COUNSEL AND STAFF DIRECTOR

United States Senate

COMMITTEE ON  
 GOVERNMENTAL AFFAIRS  
 SENATE PERMANENT SUBCOMMITTEE  
 ON INVESTIGATIONS  
 WASHINGTON, D.C. 20510

MARTY STEINBERG  
 CHIEF COUNSEL  
 LARRY A. DUFFE  
 GENERAL COUNSEL  
 JACOB G. WELCH  
 CHIEF COUNSEL TO THE MINORITY

August 31, 1979

Mr. Thomas A. Murphy  
 Chairman and Chief Executive  
 Officer  
 General Motors Corporation  
 General Motors Building 14-130  
 Detroit, Michigan 48202

Dear Mr. Murphy:

We are writing in reference to the previous Subcommittee correspondence of July 2, 1979 concerning automobile theft. As we then noted, the United States Senate Permanent Subcommittee on Investigations will hold hearings on the subject of motor vehicle theft in the near future. The hearings will focus on the involvement of professional thieves in this crime and on "chop shop" operations.

In addition to the responses requested in the correspondence of July 2, the Subcommittee would appreciate receiving the following information:

1. General Motors' assessment of the various considerations, including inventory, assembly, cost, transportation, and replacement of parts, that would arise if a federal mandate required the placement of Vehicle Identification Numbers on major crash replacement parts.
2. Beginning with 1969, a model year-by-model year listing of each anti-theft design modification introduced by General Motors to curb vehicle theft. This listing should include modifications introduced on passenger cars, light-duty trucks, and recreational and off-road vehicles. In addition, please include in this listing:
  - a. the design and performance standards established by General Motors for its vehicle anti-theft systems;
  - b. the manufacturer's and consumer's cost for each design modification cited in Part 2;
  - c. the intended theft-prevention effect of each design modification cited in Part 2; and
  - d. any data at your disposal indicating the impact of each design modification cited above on theft rates for General Motors' vehicles.

3. A listing of all anti-theft design modifications to be introduced on General Motors' passenger cars, light-duty trucks, and recreational and off-road vehicles for the model years 1980, 1981, and 1982. Furthermore, please indicate:
  - a. the design and performance standards established by General Motors for its 1980, 1981 and 1982 vehicle anti-theft systems;
  - b. the intended theft-preventive effect of each anti-theft modification cited in Part 3;
  - c. whether the modifications cited above will be available as standard or optional equipment. Please indicate which models will carry the equipment and why these models have been selected; and
  - d. the manufacturer's and consumer's cost for each modification cited in Part 3.

In the course of this investigation, the Subcommittee has examined the costs and effectiveness of current vehicle anti-theft designs. The Subcommittee would, therefore, appreciate receiving the following additional information:

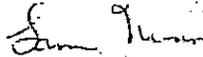
4. General Motors' views on:
  - a. the feasibility of improving the theft resistance levels of General Motors' present ignition systems by hardening the systems' steel components at all critical mechanical points;
  - b. the feasibility of redesigning General Motors' ignition systems so that ignition cylinders are invulnerable to attack by slide hammers, dent pullers, or other extraction devices;
  - c. the effectiveness of such modifications in deterring amateur and professional vehicle theft; and
  - d. the manufacturer's and consumer's cost for the modifications discussed in Parts 4a and 4b.
5. A description of any efforts undertaken by General Motors to develop a keyless, digital, electronic ignition system which carries the capability of locking and unlocking critical functions in the steering mechanism and/or drive train. If such efforts have been made, please detail the objectives hoped to be achieved, the cost associated with the development

of such a system and the feasibility of introducing such a system on all of General Motors' vehicles.

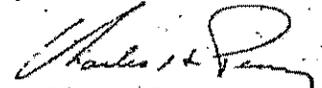
6. In lieu of mandated federal anti-theft standards, actions which could be taken by General Motors to reduce significantly the motor vehicle theft rate.
7. General Motors' viewpoint on its responsibility to the consumer to lessen and/or deter motor vehicle thefts.

If you have any further questions about this request, please contact Charles Berk of the Subcommittee staff at 202/224-9157. Because the Subcommittee's hearings are planned for the near future, it would be greatly appreciated if General Motors' response is received before September 26, 1979. Your cooperation is greatly appreciated.

Sincerely,



Sam Huns  
Chairman



Charles H. Percy  
Ranking Minority Member

GENERAL MOTORS CORPORATION  
GENERAL MOTORS BUILDING  
DETROIT, MICHIGAN 48202

ROBERT F. MACIILL  
VICE PRESIDENT

November 5, 1979

The Honorable  
Charles H. Percy  
United States Senate  
Washington, D.C. 20510

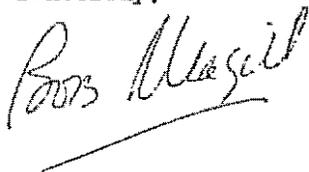
Dear Senator Percy:

Your letter of August 31 asked that GM respond to a number of questions concerning automobile theft which, as indicated, will serve as a basis for "fact finding" hearings sometime later this year.

We have had several discussions recently with your staff during which we have expressed our views on the theft issue. While we do not agree with certain provisions of S. 1955, for reasons we believe to be valid, General Motors is and has been strongly motivated to improve the theft resistance of our cars in order to help improve owner satisfaction by holding down the total cost of owning a GM car. In order to continue the progress that has been made, it is essential to retain design flexibility and improve the theft data upon which to base future development.

We believe the attached response will be helpful as you prepare for future hearings.

Sincerely,



Att.

Question 1

General Motors assessment of the various considerations, including inventory, assembly, cost, transportation, and replacement of parts, that would arise if a federal mandate required the placement of Vehicle Identification Numbers on major crash replacement parts.

GM Response

While there are several locations in the parts distribution chain where it is conceivable that parts could be marked, one approach is to have the authorized service parts supplier mark the replacement parts prior to shipment to dealers and independent repair shops. A major reason for this approach would be to keep to a minimum the number of locations where the marking equipment is available, thus reducing the likelihood of loss, theft or improper usage. However, this approach is not without problems. For example, under this scenario the dealer or independent repair shop would be required to order each replacement part individually by VIN, thereby prohibiting him from maintaining an inventory of those parts. Conversely, the parts supplier would be forced to maintain a larger inventory of these specific parts which could require increased warehousing facilities.

Aside from the resultant increased inventory costs, other cost increases might be incurred to cover equipment and materials. Moreover, since replacement parts would be ordered on an "as needed" basis, the parts supplier would be prohibited from making bulk shipments. This inability to ship in large quantities would obviously impose higher transportation costs. In addition, since dealers would no longer maintain inventories of these parts there is likely to be added customer inconveniences as a result of delays in ordering individual parts.

Another potential problem concerning replacement of parts is assuring the VIN remains legible after the part is painted. Sheet metal parts are shipped to dealers with only prime paint applied. Care would have to be taken in the final paint process at the repair shop to assure that the VIN is not hidden.

Regardless of who applies the markings -- suppliers, dealers or repair shops -- there will be problems and costs in applying the identification, keeping necessary records and ensuring that the markings are not stolen or counterfeited.

Question 2

Beginning with 1969, a model year-by-model year listing of each anti-theft design modification introduced by General Motors to curb vehicle theft. This listing should include modifications introduced on passenger cars, light-duty trucks, and recreational and off-road vehicles.

GM Response

Anti-theft Design Modifications  
Introduced by  
General Motors  
1969-1979

<u>Design Feature</u>	<u>Year Introduced</u>	
	<u>Pass. Car</u>	<u>Truck</u>
Steering column lock system. This feature includes the ignition lock, steering lock and/or transmission shift lock and is designed to protect against mobilization of the vehicle without the ignition key.	1969	1974
Key code number removed from door lock cylinder. This feature removes the source of key information to prevent key duplication.	1970	1970
Extended application of inside hood release to reduce engine compartment theft and make it more difficult to gain access to ignition system.	1971	
Audible anti-theft alarm standard on Corvette models.	1972	
Extend application of confidential numbers to light trucks.		1972
An engine description code was added to the VIN to facilitate theft investigation.	1972	
The use of the 13-digit VIN on trucks commenced.		1972
Engine identification coding added to light duty truck VIN.		1973

## Question 2 (Continued)

<u>Design Feature</u>	<u>Year Introduced</u>	
	<u>Pass. Car</u>	<u>Truck</u>
Inserting engine description code in the VIN on light-duty trucks was initiated.		1973
Electronic anti-theft alarm offered as a vehicle factory-installed option on all Cadillac models.	1973	
Vehicle doors reinforced to deter piercing as a method of gaining access to door lock.	1973	
Provide separate ignition lock and key that is unique from that used in the door and trunk.	1974	1974
VIN derivatives placed on light-duty truck engines and transmissions.		1974
Steering column lock extended to light-duty trucks equipped with automatic transmission.		1974
Extend application of electronic anti-theft alarm as a factory-installed option to selected car lines.	1975	
Inside door lock button removed from door sill on selected models.	1975	
Inside hood release offered as option on selected light-duty trucks.		1977
VIN plate coloring improved for better legibility.	1978	
Door lock and truck lid lock cylinders on certain car lines were recessed to resist use of certain extracting tools to remove or twist lock cylinder to gain entry.	1978	
Optional spoked wheel discs on selected models were provided with unique locking features.	1978	

## Question 2 (Continued)

<u>Design Features</u>	<u>Year Introduced</u>	
	<u>Pass. Car</u>	<u>Truck</u>
Control of the optional electric trunk release through the ignition system was expanded to all passenger car lines.	1978	
A steering column ignition lock offering greater resistance to forcible removal was introduced on all passenger cars and conventional light-duty trucks.	1979	1979
The door lock changes initiated in 1978 were adopted on Riviera, Eldorado, and Toronado models.	1979	
Distinct rosette rivets used to mount the VIN plate to the instrument panel were exposed on selected passenger cars and conventional light-duty trucks and vans. Making these rivets visible from outside the vehicle makes it easier to spot evidence of tampering with the VIN plate.	1979	1979
The VIN plate for selected car lines incorporated a muted GM logo as part of the background.	1979	
Ignition lock improved to prevent use of certain extraction tools to remove lock from steering column.	1979	

We have specifically not addressed off-road recreational vehicles since we do not manufacture vehicles specifically for those purposes. In those instances where such vehicles enter the market through second stage manufacturers or customizing, they are normally equipped the same way as the completed products from which they are derived.

Concerning off-road construction equipment, we are following very closely various anti-theft activities within the construction industry. While we do maintain substantial records of parts associated with these specific vehicles, it is largely because of their unique character and the need for this information from a service standpoint.

Question 2 (Continued)

In addition, please include in this listing:

- a) The design and performance standards established by General Motors for its vehicle anti-theft systems.

GM Response

The performance criteria selected in measuring effectiveness is based on estimated system defeat time. That is, the time it takes to overcome the system. In general, the security system should resist conventional defeat techniques for an estimated minimum of three minutes. At the same time, our anti-theft design modification must consider needs for serviceability and replaceability of the system or affected areas and the potential for customer dissatisfaction.

Question 2 (Continued)

- b) The manufacturer's and consumer's cost for each design modification cited in Part 2.

GM Response

It is exceedingly difficult to accurately estimate the cost of most anti-theft devices since these features are now integral parts of the vehicle design. In order to accurately estimate the costs of these devices, it would be necessary to design a system that did not incorporate anti-theft hardware and then compare the alternate design to the current design. This would be an inordinate effort and so we reviewed an alternate method.

This alternate method is to use the design cost increase in the year the anti-theft device was introduced. For example the locking steering column added about \$10 cost in 1969 (expressed in 1969 dollars). In addition, the inside hood release added another \$3 - \$4 cost per vehicle affected. If all changes on the basis of year introduced were added, we estimate that the cost increases due to anti-theft measures have added about \$15 to the price of the average GM passenger car since 1968. It should be noted however that this figure ignores the effects of inflation, changes in model mix, vehicle redesign and component redesign.

In addition to the modifications that are standard, GM's theft deterrent option offered on selected luxury type cars is priced in the area of \$150.

Question 2 (Continued)

- c) The intended theft-prevention effect of each design modification cited in Part 2.

GM Response

The majority of the security features of GM cars are intended to provide protection from forced entry into the vehicle for purposes of removing the vehicle or its contents. Certain other features are intended to aid in the identification and recovery of stolen vehicles.

- d) Any data at your disposal indicating the impact of each design modification cited above on theft rates for General Motors' vehicles.

GM Response

It is not possible to measure, with any degree of certainty, the effectiveness of each anti-theft feature without having an idea of what the theft rate would have been if the feature were not incorporated in the vehicle. Moreover, the theft rate varies from model to model even though all models have virtually the same anti-theft features.

This points up the aspect of "car desirability" which cannot be measured by studying theft statistics. If a car is very desirable, it is unlikely that any level of security sophistication would substantially reduce the theft of that vehicle.

We feel that we have steadily improved the theft resistance of our cars over the years. Despite these efforts, the total number of car thefts per year as reported by the FBI's Uniform Crime Reports has, with few exceptions, continued to increase. Part of this increase can be attributed to the fact that the yearly car population has also continued to increase as has the human population. That is, there are more cars to steal and more people to steal them. Perhaps theft rates are a more appropriate measure of changes in theft activity. For the period from 1970 to 1978 the yearly motor vehicle theft rate relative to vehicle registrations shows a decline. Relative to population, the rate varies slightly but is essentially constant for the same time period. The theft rate of our current models in a given year (e.g. 1978 models in calendar year 1978) relative to production has also remained almost constant.

We believe that the anti-theft features on most new cars have been quite effective in deterring the "joyrider" type of theft. Juvenile arrest rates relative to population have declined almost twice as fast as the total arrest rate in the same period.

FBI data state that the recovery rate of stolen vehicles is declining. This, coupled with a fairly constant theft rate for current model cars suggests that today's national theft problem centers on organized, profit oriented, professional theft operations. As a result, even despite the fact that the theft resistance of cars has improved steadily over the years, car theft has not been reduced significantly. We believe the data reflects an apparent stand-off between our efforts to increase vehicle security and the activities of professional thieves. We believe it is indicative of the moving target nature of vehicle security and supports the position that given enough time there is no vehicle security system that a professional thief cannot and will not defeat. Contributing to this situation is the lack of sure and severe punishment.

Question 3

A listing of all anti-theft design modifications to be introduced on General Motors' passenger cars, light-duty trucks, and recreational and off-road vehicles for the model years 1980, 1981 and 1982.

GM Response

Anti-theft Design Modifications  
Introduced by  
General Motors  

---

1980

<u>Design Feature</u>	<u>Pass. Car</u>	<u>Truck</u>
Recessed inside door locks were made standard on all new front-wheel-drive "X" cars (Citation, Omega, Phoenix, Skylark) and Cadillac Seville.	X	
An inside hood release is standard on the new front-wheel-drive "X" cars (Citation, Omega, Phoenix, Skylark).	X	
There is an increased use of recessed door lock cylinders. In addition, changes have been made to the lock mechanism, making manipulation of the locking rods more difficult.	X	
Vent window locks will be standard on light-duty trucks and vans.	X	
There is an expanded use of the GM logo on the background of VIN plates, making them more difficult to duplicate and easier to identify a VIN plate that is fraudulent.	X	X
The electronic anti-theft alarm system is being modified to include a starter interrupt. The system is available as an option on all full-size Buick, Cadillac and Oldsmobile models, as well as the Cadillac Seville.	X	
There is expanded availability of the optional wire wheel disc locks and wire wheel locks.	X	
The Manufacturer's Statement of Origin has been replaced by Manufacturer's Certificate of Origin printed on bank note paper and employs both security and tamper resistant features.	X	X

Future security changes beyond the 1980 model year which are currently under development have not been addressed. There is no way to avoid the conclusion that the professional car thief will eventually learn how to cope with anti-theft devices. Therefore, in our opinion, security innovations can be most effective if kept out of public discussion. By divulging the nature of vehicle security developments, the professional thief is given a running start in learning the nature of countermeasures on the car, where they are located and even how they operate. Moreover, information regarding future product programs in the area of vehicle security is of a competitive nature and should be treated as confidential information.

Question 3 (Continued)

Furthermore, please indicate:

- a) The design and performance standards established by General Motors for its 1980, 1981 and 1982 vehicle anti-theft systems.

GM Response

The design and performance criteria established by GM for our 1980 security features remains consistent with those established for security features in previous model years. As noted in our response to Question 2 a, we believe the vehicle security system should resist conventional defeat techniques for an estimated minimum of three minutes. It should be remembered, however, that any design modification we make must comprehend needs for serviceability, replaceability and customer convenience.

Question 3 (Continued)

- b) The intended theft-preventive effect of each anti-theft modification cited in Part 3.

GM Response

Again, the intended effect of our security features is to provide protection against forced entry into the vehicle for purposes of removing the vehicle or its content. As pointed out in our response to Question 2 h, certain of our security features are intended to aid enforcement officials and others investigating car theft, in the identification and recovery of stolen vehicles.

Question 3 (Continued)

- c) Whether the modifications cited above will be available as standard or optional equipment. Please indicate which models will carry the equipment and why these models have been selected.

GM Response

It is generally the case that our cars eventually include all GM anti-theft features. In many instances the design changes are unique and cannot be introduced as running changes in carry-over models. When they are incorporated is largely dependent on the model redesign schedule and the adaptability of the anti-theft feature to the new model. Security features, such as wheel locks and theft alarms are generally purchased by owners of vehicles that have historically experienced a high incidence of theft -- primarily, luxury cars and sports cars. These options are also popular in large urban areas that have high theft rates regardless of the type of vehicle. Thus, the need for these features does not extend to all cars nor are they necessarily beneficial in all geographical areas.

Question 3 (Continued)

- d) The manufacturer's and consumer's cost for each modification cited in Part 3.

GM Response

Again, there are a number of difficulties in identifying costs of design changes made for anti-theft purposes. We have, however, attempted to approximate consumer costs for the 1980 model year which relate to the major anti-theft improvements. As an example, the recessed inside door lock on our new front-wheel-drive models has a consumer cost of about \$1.65, and the inside hood release on these same models adds another \$4.00. These costs are increases over the designs which they replaced.

Question 4

In the course of this investigation, the Subcommittee has examined the costs and effectiveness of current vehicle anti-theft designs. The Subcommittee would, therefore, appreciate receiving the following additional information:

General Motors' views on:

- a) The feasibility of improving the theft resistance levels of General Motors' present ignition systems by hardening the systems' steel components at all critical mechanical points.

GM Response

Theft prevention is only one of a number of criteria to be considered in an ignition lock design. Other requirements, such as mass production manufacturing requirements, weight, cost, reliability and serviceability must also be considered. Taking into account all of the design requirements, we question whether the suggested approach would be practical. Moreover, based on prior experience, there is no reason to believe the feature would not be defeated or circumvented in time and thus have minimal, if any, effect on the theft rate.

Question 4 (Continued)

- b) The feasibility of redesigning General Motors ignition systems so that ignition cylinders are invulnerable to attack by slide hammers, dent pullers, or other extraction devices.

GM Response

Each time we make a design modification in an effort to thwart auto thieves, we observe changes in the theft techniques. Slide hammers and other extraction devices are not necessarily the only methods which must be guarded against. The availability of battery operated tools opens a whole new avenue of attack. Further, it is unlikely that any design approach will ever achieve complete "invulnerability" to attack and still be reliably functional for the average person.

Question 4 (Continued)

- c) The effectiveness of such modifications in deterring amateur and professional vehicle theft; and
- d) The manufacturer's and consumer's cost for the modifications discussed in Parts 4a and 4b.

GM Response

In order to assess expected effectiveness or to address the matter of costs, a specific system would have to be defined. General Motors is conscious of the theft activities involving steering column ignition locks. Our efforts to improve the theft resistance of ignition locks are evidenced by the introduction of an improved retention method for the lock cylinders in all GM 1979 model passenger cars. From limited data to date, we feel we have been successful in providing an appropriate level of theft resistance. We will continue to evaluate the performance of our ignition locks, and make appropriate design changes when the need for such changes can be established.

Question 5

A description of any efforts undertaken by General Motors to develop a keyless, digital, electronic ignition system which carries the capability of locking and unlocking critical functions in the steering mechanism and/or drive train. If such efforts have been made, please detail the objectives hoped to be achieved, the cost associated with the development...

GM Response

General Motors has evaluated a number of different locking concepts, including so-called keyless systems, for securing a vehicle and its contents. To date, we are not aware of any keyless system that would provide increased vehicle security without compromising other equally valid requirements such as cost, weight, serviceability, reliability, customer satisfaction and personal security.

Question 6

In lieu of mandated federal anti-theft standards, actions which could be taken by General Motors to reduce significantly the motor vehicle theft rate.

GM Response

GM will continue to improve its products' theft prevention where we can identify those problem areas that we believe can be effectively approached. We continue to believe that there are a number of steps which could be taken that are beyond the control of the manufacturer to implement. Among these we would include, increased penalties and more vigorous law enforcement, tighter export controls, uniform titling, public education, etc.

We continue to believe that with respect to vehicle locks, or for that matter any vehicle anti-theft device, there is little, if any, reason to expect that such improvements will reduce vehicle thefts over the long term. Experience would seem to indicate that almost any anti-theft device will, in time, be defeated or circumvented entirely by the professional thief. Innovations in anti-theft development, to be effective, must proceed on a continuous basis and not be allowed to stagnate, as might well be the case in meeting specified standards.

Question 7

General Motors viewpoint on its responsibility to the consumer to lessen and/or deter motor vehicle thefts.

GM Response

General Motors is very definitely concerned about the current auto theft rate and the illegal trafficking in auto parts. Our concern is well-founded because, to the extent that GM cars are stolen, our customers can suffer immediate financial loss, not to mention, of course, the inconvenience experienced through the loss of their vehicles. This burden is in addition to the possible further expense due to increased insurance premiums for comprehensive coverage. In other words, we have a competitive incentive to improve the theft resistance of our cars in order to help us improve owner satisfaction by holding down the total cost of owning a GM car. This cost includes not only the initial purchase price of the car but also any subsequent costs associated with its operation.

We are also cognizant of the high number of auto thefts that result from the owners leaving their keys in the ignition or from not locking their cars when left unattended. Theft surveys indicate that in approximately 20% of thefts, the keys were left in the ignition. Our Owner's Manuals caution against these practices. Clearly, the best anti-theft features that can be developed would be useless if owners leave their keys in their cars.

A 90

BERNARD BERNARDSON, CHAIRMAN  
 HENRY H. JACKSON, WYOM.  
 THOMAS P. EARLETON, MD.  
 LAWSON CHILES, FLA.  
 DONN WADSWORTH, CALIF.  
 JOHN W. BRADLEY, IOWA  
 JIM BARTER, TEXAS  
 DAVID H. BROWN, ARIZ.  
 EARL L. BROWNE, MISS.

ROBERT A. WICKMAN  
 CHIEF COUNSEL AND STAFF DIRECTOR  
 July 3, 1979

United States Senate

COMMITTEE ON  
 GOVERNMENTAL AFFAIRS  
 SENATE PERMANENT SUBCOMMITTEE  
 ON INVESTIGATIONS  
 WASHINGTON, D.C. 20510

SENATE PERMANENT SUBCOMMITTEE  
 ON INVESTIGATIONS  
 THOMAS P. EARLETON, MD.  
 LAWSON CHILES, FLA.  
 JOHN WADSWORTH, CALIF.  
 JOHN W. BRADLEY, IOWA  
 JIM BARTER, TEXAS

MARKET RESEARCHERS  
 CHIEF COUNSEL  
 LEONARD J. JOHNSON  
 GENERAL COUNSEL  
 W. P. COOPER, JR.  
 STAFF DIRECTOR  
 JIMMY E. BROWN  
 CHIEF COUNSEL TO THE MINORITY

Mr. Philip Caldwell  
 President  
 Ford Motor Company  
 16 American Road  
 Dearborn, Michigan 48121

Dear Mr. Caldwell:

Automobile theft is rapidly becoming one of the most serious crimes facing our nation today, costing the nation an estimated \$4 billion annually. The Federal Bureau of Investigation decries motor vehicle theft as "one of the most lucrative, illegitimate businesses today." Because of its high cost to our society, I urged the Senate Permanent Subcommittee on Investigations, where I serve as the ranking minority member, to authorize an investigation into this escalating problem.

The inquiry led to the conclusion that the alarming trend of professional auto theft cannot be reversed by unilateral action taken by federal or state governments, local law enforcement, the insurance industry, or the motor vehicle manufacturers. Rather, a coordinated approach to the problem is necessary. Consequently, Subcommittee staff joined with the Department of Justice and Senator Joseph Biden, Jr.'s office in drafting a bill which attacks the problem on several fronts. Senators Percy and Biden introduced the Motor Vehicle Theft Prevention Act of 1979 (S. 1214) on May 22, 1979.

Recently, the Permanent Subcommittee on Investigations unanimously authorized hearings on auto theft, based upon the staff's findings after eight months of investigation. The hearings, scheduled for later this summer, will focus on three main areas: chop shops and organized crime's increasing involvement in their operation; the exportation of stolen motor vehicles; and insurance fraud.

For purposes of these hearings, the Subcommittee would like to know Ford Motor Company's views on several questions:

- 1) What impact would passage of the bill foreseeably have on the national auto theft rate, recovery rate, and the availability of used replacement parts?
- 2) What other measures should the nation take to deal with the increasingly costly auto theft problem?
- 3) What in the procedure Ford follows in supplying replacement parts for rare model cars to automobile dealers and rebuilders?
  - a. Is it more costly to produce and supply replacement parts than it is to produce body parts on the assembly line? If so, why and by how much, percentage-wise?

- b. On the average, how soon after ordering replacement body parts do dealers receive the parts from Ford?
  - c. What is the difference between the price Ford charges dealers for replacement body parts and the standard price the dealers charge consumers for the same parts (excluding labor costs)? Please include a list of the wholesale and retail prices of the 10 most expensive replacement body parts (including a breakdown of shipping and handling fees).
- 4) Law enforcement experts have informed the Subcommittee that passage of the Motor Vehicle Theft Prevention Act of 1979 will lead to a sharp reduction both in the auto theft rate and the availability of illicit used replacement parts for late model cars.
    - a. Does Ford Motor Company have the present capability to increase significantly the production of replacement parts? Specifically, can Ford meet the potential increased demand for new replacement parts if the illicit market is substantially reduced? What problems, if any, could be expected?
    - b. Is Ford implementing or considering making any significant changes in its replacement parts procedure? If so, please specify.
  - 5) How effective have your security changes been over the past two decades in curbing auto theft? What future security changes is Ford considering?
  - 6) What is the current cost per vehicle of marking VINs on motors, transmissions, and in confidential locations?
  - 7) If S. 1214 is enacted and the Secretary of Transportation determines that placing VINs on major component parts is cost-effective, what do you estimate will be the cost per vehicle of marking additional parts?

In addition to making this request, I would like to thank Joe Gerard, Marc Himmelstein, John Mapleback, W.C. McDonald, and Jerry Williams of your staff for meeting with Subcommittee staff on March 16, 1979. As you may have noticed, several changes recommended by your staff were incorporated into the revised bill. They include: a specific Federal preemption provision which mandates that S. 1214 supersede all state anti-theft regulations; and a revised seizure and forfeiture provision to make sure that innocent possessors of stolen parts will not have their automobiles seized. These changes have clearly strengthened the legislation.

If you have any further questions about this request, please contact Howard Marks or Rick Shapiro of the Subcommittee at 202/224-9157. Because hearings are planned for late summer, your timely response is needed.

Sincerely,

Charles H. Percy  
United States Senator

JEFFERSON DICKSON, EDNA, CHAIRMAN  
 JAMES H. HENNING, WASH.  
 THOMAS P. FOLEY, OHIO, M.D.  
 LAWRENCE CHILES, FLA.  
 WALTER WOOD, ILL.  
 JOHN BROWN, OHIO  
 JAMES COLLIER, OHIO  
 JAMES H. HENNING, WASH.  
 DAVID M. PRYOR, ARK.  
 EARL LEVIN, MICH.

RICHARD A. WIDEMAN  
 CHIEF COUNSEL AND STAFF DIRECTOR

CHARLES M. PERCY, ILL.  
 JACOB K. JAVITS, N.Y.  
 WILLIAM V. ROYCE, IN., D.D.  
 VED RUTENFELT, ALASKA  
 CHARLES MC G. BURTON, IN., M.D.  
 JOHN C. DANFORTH, MO.  
 WILLIAM S. EDWARDS, MISSISS.  
 CLAYTON D. BENDER, MISS.

United States Senate  
 COMMITTEE ON  
 GOVERNMENTAL AFFAIRS  
 SENATE PERMANENT SUBCOMMITTEE  
 ON INVESTIGATIONS  
 WASHINGTON, D.C. 20510

August 31, 1979

Mr. Philip Caldwell  
 President  
 Ford Motor Company  
 75 American Road  
 Dearborn, Michigan 48121

Dear Mr. Caldwell:

We are writing in reference to the previous Subcommittee correspondence of July 2, 1979 concerning automobile theft. As we then noted, the United States Senate Permanent Subcommittee on Investigations will hold hearings on the subject of motor vehicle theft in the near future. The hearings will focus on the involvement of professional thieves in this crime and on "chop shop" operations.

In addition to the responses requested in the correspondence of July 2, the Subcommittee would appreciate receiving the following information:

1. Ford's assessment of the various considerations, including inventory, assembly, cost, transportation, and replacement of parts, that would arise if a federal mandate required the placement of Vehicle Identification Numbers on major crash replacement parts.
2. Beginning with 1969, a model year-by-model year listing of each anti-theft design modification introduced by Ford to curb vehicle theft. This listing should include modifications introduced on passenger cars, light-duty trucks, and recreational and off-road vehicles. In addition, please include in this listing:
  - a. the design and performance standards established by Ford for its vehicle anti-theft systems;
  - b. the manufacturer's and consumer's cost for each design modification cited in Part 2;
  - c. the intended theft-prevention effect of each design modification cited in Part 2; and
  - d. any data at your disposal indicating the impact of each design modification cited above on theft rates for Ford's vehicles.

SENATE CLERK  
 THOMAS F. SCULLY, M.D.  
 LAWTON CHILES, FLA.  
 JOHN CLEGG, OHIO  
 JIM EASTON, TEXAS

SENATE STENOGRAPHER  
 CHIEF CLERK  
 LAWRENCE S. DUFFE  
 BENJAMIN KOSOVE  
 JEFFREY G. BLOOM  
 CHIEF COUNSEL TO THE COMMITTEE

3. A listing of all anti-theft design modifications to be introduced on Ford's passenger cars, light-duty trucks, and recreational and off-road vehicles for the model years 1980, 1981 and 1982. Furthermore, please indicate:
  - a. the design and performance standards established by Ford for its 1980, 1981, and 1982 vehicle anti-theft systems;
  - b. the intended theft-preventive affect of each anti-theft modification cited in Part 3;
  - c. whether the modifications cited above will be available as standard or optional equipment. Please indicate which models will carry the equipment and why these models have been selected; and
  - d. the manufacturer's and consumer's cost for each modification cited in Part 3.

In the course of this investigation, the Subcommittee has examined the costs and effectiveness of current vehicle anti-theft designs. The Subcommittee would, therefore, appreciate receiving the following additional information:

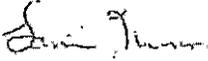
4. Ford's views on:
  - a. the feasibility of improving the theft resistance levels of Ford's present ignition systems by hardening the systems' steel components at all critical mechanical points;
  - b. the feasibility of redesigning Ford's ignition systems so that ignition cylinders are invulnerable to attack by slide hammers, dent pullers, or other extraction devices;
  - c. the effectiveness of such modifications in deterring amateur and professional vehicle theft; and
  - d. the manufacturer's and consumer's cost for the modifications discussed in Parts 4a and 4b.
5. A description of any efforts undertaken by Ford to develop a keyless, digital, electronic ignition system which carries the capability of locking and unlocking critical functions in the steering mechanism and/or drive train. If such efforts have been made, please detail the objectives hoped to be achieved, the cost associated with the development

of such a system and the feasibility of introducing such a system on all of Ford's vehicles.

6. In lieu of mandated federal anti-theft standards, actions which could be taken by Ford to reduce significantly the motor vehicle theft rate.
7. Ford's viewpoint on its responsibility to the consumer to lessen and/or deter motor vehicle thefts.

If you have any further questions about this request, please contact Charles Bark of the Subcommittee staff at 202/224-9157. Because the Subcommittee's hearings are planned for the near future, it would be greatly appreciated if Ford's response is received before September 26, 1979. Your cooperation is greatly appreciated.

Sincerely,



Sam Nunn  
Chairman



Charles H. Percy  
Ranking Minority Member



Herbert L. Misch  
Vice President  
Environmental and Safety Engineering

Ford Motor Company  
The American Road  
Dearborn, Michigan 48121

September 25, 1979

The Honorable Charles H. Percy  
United States Senate  
Washington, D. C. 20510

Dear Senator Percy:

Ford Motor Company's response to the inquiries dated July 3 and August 31, 1979 from the Senate Permanent Subcommittee on Investigations is submitted herewith.

Ford Motor Company, for many years, has had a great interest and concern about reducing the incidence of vehicle theft. While Ford passenger cars conform to the theft protection requirements of Federal Motor Vehicle Safety Standard No. 114 -- which is principally directed toward reduction of "joy ride" thefts -- we have also worked to thwart more sophisticated thieves by developing countermeasures to defeat new theft techniques as they become known to us. Our initiatives have been successful in reducing the theft rate of Ford passenger cars (according to data compiled by the National Automobile Theft Bureau).

It appears that there has been a decided shift, however, from a preponderance of vehicle thefts by "joy riders" to those committed by organized, professional thieves supplying a highly profitable, illicit market for vehicles and their components. This professional thievery should be attacked by methods which remove the profit and greatly increase the risks and certainty of prosecution and penalties associated with vehicle theft. Although we have limited law enforcement expertise, we believe this would best be accomplished by increased enforcement activities aimed at apprehending and vigorously prosecuting the car thief and those trafficking in stolen components. Ford, therefore, supports enactment of Titles III and IV of the "Motor Vehicle Theft Prevention Act of 1979" which would (1) make it a federal crime to alter, remove or tamper with a vehicle identification number (VIN), (2) increase the penalties for trafficking in stolen vehicles or their parts, and (3) reduce opportunities to export stolen vehicles.

Ford, however, is opposed to Title II, which we believe is unnecessary, and in certain instances would be counterproductive in

the fight against vehicle theft. Regulatory authority, similar to that proposed in this legislation, is warranted only when the industry to be regulated has not taken appropriate action to deal with a perceived problem. Ford and other auto manufacturers have initiated a number of design improvements to enhance vehicle security. In recent years, Ford has voluntarily improved the trunk, steering column and door locking mechanisms of its passenger cars. Many of these security improvements also have been incorporated into our 1980 model light trucks.

Title II would authorize the Secretary of Transportation to issue anti-theft standards. We have difficulty envisioning standards which would be attainable and effective for any length of time in the real world. It has been our experience that anti-theft design is an iterative process; improved designs are followed by new theft techniques, necessitating new designs, etc. We further question whether compliance with such standards could be demonstrated: what repeatable tests could be specified that would give continuing assurance that the vehicle conforms to the requirements? In addition, we are concerned that the existence of a standard would discourage efforts toward ongoing design evaluations and changes to combat new methods of defeating the vehicle's security.

In addition, we think it is premature to mandate placement of vehicle identification numbers (VINs) on component parts. Ford recently commenced an experimental program for identifying with the VIN six major sheet metal components of the all new 1980 Lincoln Continental and Continental Mark VI vehicles. A security label that will disintegrate if attempts are made to remove it is affixed to the designated parts. This experimental program has been initiated to assess the impact that the identification of components will have on vehicle thefts and to identify any problems in the mass-production manufacturing process. The cooperation and assistance of the law-enforcement community and vehicle administrators, however, is essential to the success of this program. This experiment will provide law enforcement officials and others advocating component identification, an opportunity to determine if it is an effective means to take increased action against those dealing in stolen vehicles and their parts - action they believe is not possible without component identification. We have enlisted the cooperation of several organizations interested in reducing vehicle theft; these organizations will keep us informed concerning the effectiveness of the program from their respective perspectives.

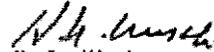
If the results of the Ford experimental program demonstrate a reduction in vehicle theft, we would expand this initiative. Because of the competitive nature of the automotive industry, if this program is successful we expect other manufacturers would adopt a similar program, thus removing the need for regulatory measures.

However, if the experimental program indicates that component identification does not reduce vehicle theft, it would be a costly mistake to mandate identification of component parts for all vehicles, especially since some vehicles are not theft targets. We estimate it will take at least two years to measure the effect of component identification on vehicle theft.

In still another of Ford's anti-theft efforts, vehicle identification numbers are being placed on the engine, transmission and each rear axle of our 1980 medium and heavy trucks, similar to those currently placed on passenger cars and light trucks. (VINs are already on the cab and the frame of medium and heavy trucks).

We are taking appropriate voluntary actions to make our vehicles far more difficult to steal and, if stolen, readily identified when recovered. The competition of the market place provides ample motivation to all manufacturers to improve continually the anti-theft features of the vehicle. Our actions clearly demonstrate the responsibility we have accepted in providing our customers with effective and economically feasible anti-theft features.

Sincerely,

  
H. L. Misch

cc Senator Sam Nunn

Attachments

RESPONSE TO THE INQUIRY OF JULY 3, 1979

FROM SENATOR CHARLES H. PERCY

- 1) WHAT IMPACT WOULD PASSAGE OF THE BILL FORESEEBLY HAVE ON THE NATIONAL AUTO THEFT RATE, RECOVERY RATE, AND THE AVAILABILITY OF USED REPLACEMENT PARTS?

It is difficult for us to estimate the effect of this proposed legislation on the national theft or recovery rate. While we support enactment of Titles III and IV, their impact is dependent on the commitment of resources for enforcement. We believe Title II would be counterproductive in the fight against auto theft. The effect of component identification -- addressed in Title II -- is still unknown. The purpose of Ford's experimental component identification program is to determine its effectiveness in reducing the theft rate of the Lincoln Continental and Continental Mark VI vehicles.

- 2) WHAT OTHER MEASURES SHOULD THE NATION TAKE TO DEAL WITH THE INCREASINGLY COSTLY AUTO THEFT PROBLEM?

Our expertise, of course, is in vehicle manufacturing and marketing, not in law enforcement and vehicle administration. However, new programs in three states should be watched: Illinois, Michigan and New York have recently addressed the vehicle theft issue with new legislation and administrative action which we support.

- 3a) WHAT IS THE PROCEDURE FORD FOLLOWS IN SUPPLYING REPLACEMENT PARTS FOR LATE MODEL CARS TO AUTOMOBILE DEALERS AND REBUILDERS?

Ford replacement parts are sold through authorized Ford and Lincoln-Mercury dealers or through warehouse distributors. All parts except batteries are sold to dealers and certain high volume parts, such as spark plugs and oil filters (except body parts), are also sold to warehouse distributors -- who then sell primarily to jobbers for further dissemination in the distribution system.

Parts may be ordered from one of the Company's 21 field warehouses either by mail, telephone or through a computer system. Most parts are ordered and processed on a weekly basis. Parts also may be ordered for special processing on an expedited basis but a surcharge is assessed to cover extra handling and freight costs.

- b) IS IT MORE COSTLY TO PRODUCE AND SUPPLY REPLACEMENT PARTS THAN IT IS TO PRODUCE BODY PARTS ON THE ASSEMBLY LINE? IF SO, WHY AND BY HOW MUCH, PERCENTAGE-WISE?

It is more costly to produce and supply replacement body parts than original equipment parts for use on the assembly line. Material costs for current-model replacement parts are generally the same as assembly parts but service parts also bear the added burden of packaging, storage, handling, and distribution costs. On average, it is estimated that the total cost for current-model service parts is about 100% more than the cost for equivalent production parts.

Past-model service parts often require set up costs and other purchase price penalties because they frequently are fabricated on a one-time basis in relatively small quantities. It is estimated that the total cost for past-model service parts can range from 200% to 500% more than the cost for equivalent production parts.

- c) ON THE AVERAGE, HOW SOON AFTER ORDERING REPLACEMENT BODY PARTS DO DEALERS RECEIVE THE PARTS FROM FORD?

It generally takes from one to six days after an order is received by the field warehouse until delivery, depending upon the type of order, availability of stock, the shipping mode to be used and the distance from the warehouse to the dealer. If parts, however, are out-of-stock, delivery will be somewhat delayed. Ford has instituted systems to expedite the shipment of parts needed on an emergency basis.

- d) WHAT IS THE DIFFERENCE BETWEEN THE PRICE FORD CHARGES DEALERS FOR REPLACEMENT BODY PARTS AND THE STANDARD PRICE THE DEALERS CHARGE CONSUMERS FOR THE SAME PARTS (EXCLUDING LABOR COSTS)? PLEASE INCLUDE A LIST OF THE WHOLESALE AND RETAIL PRICES OF THE 10 MOST EXPENSIVE REPLACEMENT BODY PARTS (INCLUDING A BREAKDOWN OF SHIPPING AND HANDLING).

There is no standard price charged by dealers as they are obviously free to individually set their own prices. Ford does, however, list a suggested retail price and the suggested list-to-dealer discount on replacement body parts is 40%. Shown below is a list of high demand body replacement parts for the 1979 Fairmont. Similar dealer prices and suggested retail prices exist for the high volume body replacement parts for the Company's other car lines.

<u>1979 Model Car Line</u>	<u>Replacement Part</u>	<u>Dealer Price</u>	<u>Suggested Retail Price</u>
1979 Fairmont	Front Door Assembly	\$115	\$192
	Front Bumper Bar	98	163
	Rear Bumper Bar	98	163
	Deck Lid	97	162
	Hood	87	145
	Quarter Panel	86	143
	Fender	67	111
	Grille	58	96
	Roof Panel	56	93
	Front Door Outer Panel	35	58

All parts orders are delivered freight prepaid via normal transportation to the dealer's normal place of business. A small charge is assessed on all orders under a minimum level submitted by the dealer. In addition, the dealer is charged a handling fee on most orders that are to be shipped on an expedited basis.

- 4) LAW ENFORCEMENT EXPERTS HAVE INFORMED THE SUBCOMMITTEE THAT PASSAGE OF THE MOTOR VEHICLE THEFT PREVENTION ACT OF 1979 WILL LEAD TO A SHARP REDUCTION BOTH IN THE AUTO THEFT RATE AND THE AVAILABILITY OF ILLICIT USED REPLACEMENT PARTS FOR LATE-MODEL CARS.

- a) DOES FORD MOTOR COMPANY HAVE THE PRESENT CAPABILITY TO INCREASE SIGNIFICANTLY THE PRODUCTION OF REPLACEMENT PARTS? SPECIFICALLY, CAN FORD MEET THE POTENTIAL INCREASED DEMAND FOR NEW REPLACEMENT PARTS IF THE ILLEGIT MARKET IS SUBSTANTIALLY REDUCED? WHAT PROBLEMS, IF ANY, COULD BE EXPECTED?

The Company continually monitors sales levels, and it can generally increase long-term supplier capacities to satisfy any sustained increase in demand for service parts. In the short-term, the Company's ability to meet sharp increases in demand depends upon the types of parts needed, as well as overall component requirements.

- b) IS FORD IMPLEMENTING OR CONSIDERING MAKING ANY SIGNIFICANT CHANGES IN ITS REPLACEMENT PARTS PROCEDURE? IF SO, PLEASE SPECIFY.

In general, Ford Motor Company is continually refining its ordering policies, stocking rules, and distribution methods to provide its customers with better service. At this time, no significant change in the replacement parts procedure is contemplated.

- 5) HOW EFFECTIVE HAVE YOUR SECURITY CHANGES BEEN OVER THE PAST TWO DECADES IN CURBING THE AUTO THEFT? WHAT FUTURE SECURITY CHANGES IS FORD CONSIDERING?

Ford has greatly strengthened the steering column ignition lock and the door and trunk locking devices on its passenger cars. These changes have led to a substantial reduction in the theft rate of Ford passenger vehicles. New initiatives include a steering column lock, an anti-"slim jim" channel and relocation of the door lock knobs for the 1980 light trucks; identification of the engine, transmissions and rear axles for medium and heavy trucks; and the component identification experiment of the 1980 Lincoln Continental and Continental Mark VI vehicles. Ford is also offering a keyless entry system as an option on its 1980 Lincoln Continental, Continental Mark VI, Thunderbird and Cougar XR-7 vehicles, which is only experimental as an anti-theft measure.

- 6) WHAT IS THE CURRENT COST PER VEHICLE OF MARKING VIN'S ON MOTORS, TRANSMISSIONS AND IN CONFIDENTIAL LOCATIONS?

The customer cost of marking eight characters of the eleven character Ford VIN on the engine, transmission and in the confidential locations is estimated at \$2.00 per vehicle.

- 7) IF 5.1214 IS ENACTED AND THE SECRETARY OF TRANSPORTATION DETERMINES THAT PLACING VIN'S ON MAJOR COMPONENT PARTS IS COST EFFECTIVE, WHAT DO YOU ESTIMATE WILL BE THE COST PER VEHICLE OF MARKING ADDITIONAL PARTS?

Two reasons for our experimental program to identify component parts are to obtain accurate cost information and identify production problems. Without additional information, Ford would not be able to estimate the costs requested. Specifically, we would need to know the method to be used to identify the component part and the number of parts to be identified. Stamping numbers on sheet metal parts would be more costly than affixing a label.

RESPONSE TO THE INQUIRY OF AUGUST 31, 1979

FROM SENATOR SAM NUNN AND SENATOR CHARLES H. PERCY

- 1) FORD'S ASSESSMENT OF THE VARIOUS CONSIDERATIONS, INCLUDING INVENTORY, ASSEMBLY, COST, TRANSPORTATION, AND REPLACEMENT OF PARTS, THAT WOULD ARISE IF A FEDERAL MANDATE REQUIRED THE PLACEMENT OF VEHICLE IDENTIFICATION NUMBERS ON MAJOR CRASH REPLACEMENT PARTS.

The proposal is not sufficiently defined to permit in-depth evaluation or precise comment. We perceive no feasible method for the manufacturer, for example, to affix vehicle identification numbers on replacement parts. These parts are mass-produced, painted with a primer, packaged and shipped to field warehouses. From there, they are shipped in quantity to dealers for their use or for sale to independent parts suppliers, garages, or body repair shops. A mandate on the manufacturer to affix the VIN would overturn this reasonably efficient production and distribution system and would result in inestimable increases in costs and intolerable delays in repairing all crash damaged vehicles requiring new replacement parts. It would place inordinate cost and time penalties on consumers involved with vehicle repairs at legitimate repair facilities, and seemingly encourage, rather than deter, illegitimate traffic in used crash repair parts.

- 2) BEGINNING WITH 1969, A MODEL-YEAR-BY-MODEL-YEAR LISTING OF EACH ANTI-THEFT DESIGN MODIFICATION INTRODUCED BY FORD TO CURB VEHICLE THEFT. THIS LISTING SHOULD INCLUDE MODIFICATIONS INTRODUCED ON PASSENGER CARS, LIGHT-DUTY TRUCKS, AND RECREATIONAL AND OFF-ROAD VEHICLES. IN ADDITION, PLEASE INCLUDE IN THIS LISTING:

- a. THE DESIGN AND PERFORMANCE STANDARDS ESTABLISHED BY FORD FOR ITS VEHICLE ANTI-THEFT SYSTEMS;
- b. THE MANUFACTURER'S AND CONSUMER'S COST FOR EACH DESIGN MODIFICATION CITED IN PART 2;
- c. THE INTENDED THEFT-PREVENTION EFFECT OF EACH DESIGN MODIFICATION CITED IN PART 2; AND
- d. ANY DATA AT YOUR DISPOSAL INDICATING THE IMPACT OF EACH DESIGN MODIFICATION CITED ABOVE ON THEFT RATES FOR FORD'S VEHICLES.

Vehicle security design is an ongoing process. When we learn of a popular theft mode, we take design action to thwart that particular theft mode. The basis for measuring the performance of the new design is based on a comparison to the existing design. It makes little difference what specific values have been established, if the thieves are defeating the system. We design to resist theft - sometimes by making the system strategically weaker, rather than stronger. Further, we must be very careful when designing to combat one particular theft mode that we don't make the system vulnerable to some other theft technique.

ATTACHMENT II  
Page 2 of 3

We have also experimented with time as a measure of a security system effectiveness, recognizing that the time element is crucial to the thief. The time criterion, a reasonable threshold to all known theft methods, has little meaning or value when methods or tools are employed which were unknown when the design was created.

Data from the National Automobile Theft Bureau indicates that, from a peak in 1974 the Ford passenger car theft rate has declined. We attribute the theft rate decline to the design changes made in 1973/74 and in 1976.

Attachment III contains a detailed chronology of design changes that we have made to curb vehicle theft and the customer cost per affected vehicle of those changes.

- 3) A LISTING OF ALL ANTI-THEFT DESIGN MODIFICATIONS TO BE INTRODUCED ON FORD'S PASSENGER CARS, LIGHT-DUTY TRUCKS AND RECREATIONAL AND OFF-ROAD VEHICLES FOR THE MODEL YEARS 1980, 1981 AND 1982. FURTHERMORE, PLEASE INDICATE:
- a. THE DESIGN AND PERFORMANCE STANDARDS ESTABLISHED BY FORD FOR ITS 1980, 1981, AND 1982 VEHICLE ANTI-THEFT SYSTEMS;
  - b. THE INTENDED THEFT-PREVENTIVE EFFECT OF EACH ANTI-THEFT MODIFICATION CITED IN PART 3;
  - c. WHETHER THE MODIFICATIONS CITED ABOVE WILL BE AVAILABLE AS STANDARD OR OPTIONAL EQUIPMENT. PLEASE INDICATE WHICH MODELS WILL CARRY THE EQUIPMENT AND WHY THESE MODELS HAVE BEEN SELECTED; AND
  - d. THE MANUFACTURER'S AND CONSUMER'S COST FOR EACH MODIFICATION CITED IN PART 3.

We do not believe it prudent to list in a public forum our anti-theft design modifications which are scheduled to be introduced in 1981 and 1982. However, we are willing to discuss the scheduled design modifications if confidentiality can be assured.

- 4) FORD'S VIEWS ON:
- a. THE FEASIBILITY OF IMPROVING THE THEFT RESISTANCE LEVELS OF FORD'S PRESENT IGNITION SYSTEMS BY HARDENING THE SYSTEMS' STEEL COMPONENTS AT ALL CRITICAL MECHANICAL POINTS;
  - b. THE FEASIBILITY OF REDESIGNING FORD'S IGNITION SYSTEMS SO THAT IGNITION CYLINDERS ARE INVULNERABLE TO ATTACK BY SLIDE HAMMERS, DENT PULLERS, OR OTHER EXTRACTION DEVICES;
  - c. THE EFFECTIVENESS OF SUCH MODIFICATIONS IN DETERRING AMATEUR AND PROFESSIONAL VEHICLE THEFT; AND
  - d. THE MANUFACTURER'S AND CONSUMER'S COST FOR THE MODIFICATIONS DISCUSSED IN PARTS 4a AND 4b.

The Ford ignition system has been designed to be, and is effective against attack by slide hammers, dent pullers or other extraction devices. Our vehicle theft data indicates that late model Ford passenger cars are not being stolen with any frequency by these particular theft modes. However, we have ignition lock system engineering programs under investigation and development which will further upgrade the resistance of the ignition lock system to known theft methods.

- 5) A DESCRIPTION OF ANY EFFORTS UNDERTAKEN BY FORD TO DEVELOP A KEYLESS, DIGITAL, ELECTRONIC IGNITION SYSTEM WHICH CARRIES THE CAPABILITY OF LOCKING AND UNLOCKING CRITICAL FUNCTIONS IN THE STEERING MECHANISM AND/OR DRIVE-TRAIN. IF SUCH EFFORTS HAVE BEEN MADE, PLEASE DETAIL THE OBJECTIVES HOPE TO BE ACHIEVED, THE COST ASSOCIATED WITH THE DEVELOPMENT OF SUCH A SYSTEM AND THE FEASIBILITY OF INTRODUCING SUCH A SYSTEM ON ALL OF FORD'S VEHICLES.

Ford has not been involved in a development of a keyless digital, electronic ignition system which carries the capability of locking and unlocking critical functions in the steering mechanism and or drivetrain. However, as mentioned earlier, we have a "keyless" entry system which is optional on the 1980 Lincoln Continental, Continental Mark VI, Thunderbird and Cougar XR-7. We are continuously reviewing the technological advances in electronics for possible application as vehicle anti-theft features.

- 6) IN LIEU OF MANDATED FEDERAL ANTI-THEFT STANDARDS, ACTIONS WHICH COULD BE TAKEN BY FORD TO REDUCE SIGNIFICANTLY THE MOTOR VEHICLE THEFT RATE.

Ford maintains a continuing review of its vehicle security systems, and changes are made to defeat new theft techniques as they are determined. For example, thieves learned that "torquing" the ignition lock, using a key blank, was an effective way to defeat our early lock designs. We strengthened the lock cylinder body, changed the brass tumbler pins to stainless steel, but weakened the attachment of the "ears" of the lock cylinder body so that torque applied at the "ears" would not be transmitted to the lock cylinder body. The "torquing" mode of theft is no longer effective. This type of design improvement will certainly continue, obviating federal mandates in anti-theft standards.

- 7) FORD'S VIEWPOINT ON ITS RESPONSIBILITY TO THE CONSUMER TO LESSEN AND/OR DETER MOTOR VEHICLE THEFTS.

We have a deep concern about this matter and have, we believe demonstrated our responsibility to the consumer by our actions. We would welcome equally vigorous participation from the other parties at interest in the total task of significantly reducing vehicle thefts.



Model Year and Vehicles Affected	Design Change Description	Intended Theft Prevention Effect	Customer Cost (\$)
<b>1977</b> All cars/trucks	<b>Steering Column Lock</b> Added hardened steel disc to lock cylinder in line with the tumbler pins.	To prevent drilling through tumbler pin area and defeating lock.	*
<b>1979</b> All cars/trucks	<b>Steering Column Lock</b> Replaced cylindrical shaped lock cylinder retaining pin with headed pin.  Increased outside diameter of slotted hardened steel disc and modified steering column casting to increase contact area between disc and disc retaining snap ring.	To prevent slow pull techniques from disengaging retaining pin from lock cylinder. Improved retention of pin in lock cylinder increases slow pulling resistance.  To improve resistance to slow pulling.	*
<b>1976</b> All cars/trucks	<b>Door Lock Cylinder</b> Removed key code number from door lock cylinder.  Notes: Key codes were placed on the lock cylinder as serviceability feature.	To prevent extracting door lock cylinder from door panel to obtain key code and cut key with a key cutter.	*
<b>1978</b> Falcon-Zephyr  <b>1979</b> Added Ford-Mercury Mustang-Capri Lincoln-Mark V  <b>1980</b> Added T-Bird-Cougar XR-7	<b>Door Lock Cylinder</b> Flared lever on door lock cylinder and moved lever action to door latch mechanism.	To prevent insertion of a wire through outside door handle opening or through the window seal to activate lever on door lock cylinder and unlock door.	*
<b>1977 - 2 Door Models Only - Running Change</b> Ford-Mercury, LTD-Cougar-T-Bird, Lincoln-Mark V, Granada-Mercury, Mustang, Pinto-Fordcut	<b>Door Lock Knobs</b> Added bullet shaped knobs mounted flush with top of door trim panel in locked position, replacing raised mushroom shaped knobs.	To prevent use of wire to hook mushroom shaped knob and unlock door.	*
<b>1979</b> Ford-Mercury Mustang-Capri	<b>Door Lock Knobs</b> Added to all front doors a sliding (in and out) lock knob in arm rest.	Same as above.	1.00
<b>1980</b> T-Bird-Cougar XR-7 Lincoln-Mark V	<b>Door Lock Knobs</b> Relocated the lock knobs to a position near arm rest on all front doors. Motion revised to a fore and aft direction.	Same as above.	1.00
<b>1973</b> Ford-Mercury, Lincoln-Mark V, Torino-Montego-Mustang-Cougar, T-Bird-Cougar  <b>1974</b> Added Pinto-Mustang  <b>1975</b> Added Granada-Mercury-Biscac  <b>1978</b> Added Falcon-Zephyr (STD)  <b>1979</b> Mustang-Capri  <b>1980</b> Added Falcon-Zephyr (STD)	<b>Inside Hood Release</b> Added inside hood release as standard equipment. All 1980 passenger cars are equipped with an inside hood release as standard equipment.	To prevent unauthorized access to engine compartment. Entry into vehicle required to open hood.	4.00

\* Less than \$0.50

Model Year and Vehicles Affected	Design Change Description	Intended Theft Prevention Effect	Customer Cost (\$)
<u>1975-1976</u> Ford, Granada-Montezuma, Mustang	<u>Luggage Compartment (Deck Lid) Lock</u> Revised deck lid lock cylinder - added interlocking ribs, increased strength of tumbler pin valve and added full length staking of pin retainer cap.	To prevent forcible entry by "punch-in" and/or "blow-out" and prevent torquing of lock cylinder to release deck lid latch. Also, full length staking of tumbler pin retainer cap precluded use of wedging tools to defeat lock.	2.00
<u>1977</u> Added Lincoln-Mark, T'Bird-Cougar	Added interlocking plate as secondary support deck lid lock cylinder.		
<u>1978</u> Added Fairmont-Zephyr	Added secondary clip to secure deck lid lock cylinder to interlocking plate.		
<u>1979</u> Added Mercury, Capri			
<u>1973-1976</u> Ford-Mercury, Lincoln-Mark, T'Bird	<u>Optional Anti-Theft Alarm System</u> Alarm switch activated by key in door lock cylinder. Alarm set off when doors or deck lid are opened, causing horn activation.	Warning system to indicate that unauthorized entry is being attempted.	N.A.
<u>1974-1976</u> Torino-Montego-Banchero, Mustang	Note: System cancelled in 1976 for Granada-Mercury and all carlines in 1977 because of low level installation rate of this option.		
<u>1975</u> Added Granada-Mercury			
<u>1973-1976</u> Ford-Mercury, Lincoln-Mark, T'Bird, Torino-Montego-Banchero, Mustang, Maverick-Comec, Pinto	<u>Optional Spare Wheel Lock</u> Locking mechanism screws on wheel hold down bolt and rotate freely in the locked mode.  Note: Option cancelled in 1976 for Maverick-Comec and cancelled on all carlines except LTD II-Cougar and T'Bird in 1977.	Spare wheel lock added for another deterrent to theft of wheel.	6.00
<u>1973</u> Added Bobcat			
<u>1977-1979</u> Continued LTD II-Cougar and T'Bird			
<u>1973</u> Ford-Mercury, Lincoln-Mark	<u>Optional Locking Inside Hood Release</u> Lock cylinder locks hood release lever in the latched position.	To prevent unauthorized access to engine compartment. Entry into vehicle and key required to open hood.	N.A.
<u>1974</u> Added Torino-Montego Mustang-Pinto	Note: Option cancelled in 1974 for Pinto-Bobcat and cancelled in 1977 for all other cars.		
<u>1975</u> Added T'Bird-Cougar-Bobcat, Granada-Mercury, Banchero			
<u>1976</u> All carlines as above			
<u>1980 "F" Series/Bronco</u> <u>1980 Econoline</u>	<u>Steering Column Lock</u> Added steering column lock.	Same as passenger car.	12.00
<u>1980 "F" Series/Bronco</u> <u>1980 Econoline</u>	<u>Door Lock Cylinder</u> Removed key code from door lock cylinder.  Note: Key codes were placed on the lock cylinder as serviceability feature.	To prevent extracting door lock cylinder from door panel to obtain key code and cut key with a key cutter.	*

\* Less than \$0.50

Model Year and Vehicle Affected	Design Change Description	Intended Theft Prevention Effect	Customer Cost (\$)
1979 "F" Series/Bronco 1979 Econoline	<u>Door Lock Cylinder</u> Fixed lever on door lock cylinder and moved lever action to door latch mechanism.	To prevent insertion of wire through outside door handle opening or through window seal to actuate lever on door lock cylinder and to unlock door.	*
1980 "F" Series/Bronco	<u>Door Lock Knobs</u> Relocated the lock knobs to mid-position on door panel and motion was revised to a fore and aft direction.	To prevent use of wire to hook mushroom shaped knob and unlock door.	1.00
1980 "F" Series/Bronco	<u>Door Handles</u> Exaggerated push button door handles.	Prevent use of wire through outside door handle opening to open door.	2.00
1979 "F" Series/Bronco	Added material to the handle arm to eliminate the accessibility to latch mechanism between the door panel and the handle.	To prevent insertion of wire through outside door handle opening to open door.	*
1979 "F" Series/Bronco 1979 Econoline	<u>Door Latching Mechanism</u> Added a flange to the glass channel to shield the door lock and linkage.	Prevent use of flat spring steel stock, "slim jim," to unlock door.	*
1978 "F" Series/Bronco 1979 Econoline	<u>Vent Window</u> Added a locking button to handle.	To add a deterrent to vehicle entry.	1.00
1980 "F" Series/Bronco	Relocated handle pivot closer to edge of glass and position of locking button 90° to plane of glass.	To improve deterrent to vehicle entry. Requires special tools or damage to gain access.	*
1980 "F" Series/Bronco	<u>Inside Hood Release</u> Added inside hood release as standard equipment.	To prevent unauthorized access to engine compartment. Entry from vehicle required to open hood.	2.00
1980 "F" Series/Bronco 1980 Econoline	<u>Visible VIN Plate</u> Added VIN plate which is visible through the window shield.	Improved identification of vehicle.	*
1978 "F" Series/Bronco 1978 Econoline	<u>Ignition Switch Wiring Connector</u> Improve method for retaining ignition switch wiring connector to ignition switch.	To deter disconnecting of connector.	1.00
1979 Econoline	<u>Yield Window</u> Added twin locking levers on handle. Both must be squeezed simultaneously to release handle.	Added deterrent to vehicle entry. Requires special tools to gain entry.	1.00
1980 "F" Series	<u>Optional Sliding Rear Window Locking System</u> Added improved locking system to sliding rear window.	To prevent unauthorized entry into vehicle.	1.00
1978 "F" Series/Bronco 1978 Econoline	<u>Optional Locking Inside Hood Release</u> Lock cylinder locks hood release lever in the latched position.	To prevent unauthorized access to engine compartment. Entry into vehicle and key required to open hood.	15.00
1978 Bronco	<u>Optional Spare Wheel Lock</u> Added lock to optional swing away spare tire carrier.	To deter theft of wheel.	0.00
1977 "F" Series 1978 Econoline	Locking mechanism screws on chassis mounted spare wheel hold down bolt and rotates freely in the locked mode.	To deter theft of wheel.	8.00

\* Less than \$0.30

Exhibit No. 35

[Excerpts From the National Workshop on Auto Theft Prevention]

Sponsored by  
The New York State  
Senate Committee on Transportation

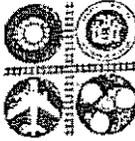
*Compendium of Proceedings*

*Senator John D. Caenmerer*  
*Committee Chairman*

*MacNeil Mitchell*  
*Project Director*

NEW YORK HILTON HOTEL  
OCTOBER 3-6, 1978

New York State Senate  
Albany, New York



NEW YORK STATE  
SENATE COMMITTEE ON TRANSPORTATION

February, 1979

Senator John D. Caemmerer  
Chairman

Senator Linda Winters  
Ranking Minority Member

Senator James M. Donohue  
Senator Everett Falter  
Senator Owen H. Johnson  
Senator Edwin B. Mason  
Senator Frank Pappano  
Senator Jesse J. Prosser  
Senator Thomas J. Bertone  
Senator Vance Smith  
Senator Anthony V. Gargano  
Senator Martin B. Sponner

Staff

Charles Cogan  
Executive Director  
John B. Korman  
Counsel  
Richard Mitchell  
Special Counsel  
Joseph P. Zimmerman, Ph.D.  
Research Director  
Bert J. Cunningham  
Director of Public Affairs  
Esther Mac  
Executive Secretary

Dear Concerned Citizen:

In the last few years, the problem of auto theft has finally been recognized as a serious national problem with far-reaching social and economic impacts. Law enforcement agencies, community leaders, insurance industry representatives and other interested parties have joined together in some localities to form action committees to combat this problem. A typical example is the case of regional joint anti-car theft committees which are now developing. But, these efforts have been sporadic and to a great extent uncoordinated.

Early in 1978, after almost a year of research, the New York State Senate Committee on Transportation realized that one state alone could not solve this problem. Clearly, a nationwide effort among states and localities with a common thrust and common goal was needed. As a result of the foresight, the understanding and the cooperation of the Law Enforcement Assistance Administration of the U.S. Department of Justice, a grant was obtained from the LEAA to help our committee fund the first National Workshop on Auto Theft Prevention.

The following is a compendium of the proceedings of this Workshop held October 3-6, 1978 in New York City. Not only was this the first workshop of its kind held on this problem, but nearly 300 dedicated participants from over 30 different states were in attendance. They came from all segments of business, industry and government concerned with auto theft, and as a result of their hard work and interest, a Liaison Committee has been created under our aegis. Its purpose is to establish task forces on a state or regional basis to combat auto theft throughout the country.

This compendium is being sent to you with our compliments and that of the Law Enforcement Assistance Administration. We hope it will encourage you to join in our efforts to eliminate this grave and far-reaching problem. We welcome your comments and suggestions.

Sincerely,

*John D. Caemmerer*  
JOHN D. CAEMMERER  
Chairman

## INTRODUCTION

The National Workshop on Auto Theft Prevention was designed to address a serious and growing problem. Although the number of motor vehicles stolen in the United States appears to have stabilized at about one million vehicles annually, recovery rates continue to decline and the resultant monetary loss to the public rises each year. Moreover, the auto theft "business" has become increasingly dominated by professional auto theft rings. Indeed, in some areas of the country, mobsters are reportedly killing each other to monopolize the stolen car racket. Auto theft has thus become a crime that must be ranked with narcotics dealing, gambling and organized prostitution as a major national crisis.

The National Workshop was held at the New York Hilton Hotel from October 3 to October 6, 1978. It was sponsored by the New York State Senate Transportation Committee, chaired by Senator John D. Caemmerer, and was funded in major part by a grant from the National Institute of Law Enforcement and Criminal Justice Services of the Law Enforcement Assistance Administration. The project director was the Honorable MacNeil Mitchell, Special Counsel to the Transportation Committee. Senator Mitchell is a former Chairman of both the Judiciary Committee of the New York State Senate and of its New York City Committee.

The objective of the Workshop was to bring together, for the first time on a national level, the principal parties concerned with the auto theft problem. Included were state legislators, federal officials, motor vehicle administrators, state and local police, state and federal prosecutors, automobile dismantlers, auto repair shop operators and representatives of insurance companies, scrap processors and motor vehicle manufacturers. Acting together, Workshop participants attempted to reach a consensus on practical measures that could be taken to significantly reduce the incidence of auto theft in the United States.

The National Workshop was divided into a series of five Plenary Sessions, four of which were followed by small group workshops. The topics of the Plenary Sessions included:

- I. The Auto Theft Problem
- II. Investigative and Enforcement Problems
- III. Laws and Regulations Relating to Vehicle Titling and Salvage Control Procedures
- IV. Problems in the Adjudication of Auto Theft Violations
- V. The Role of Private Industry in Helping to Curb Auto Theft

At the Plenary Sessions recognized experts presented short speeches about the subjects under discussion. The purpose of this compendium is to present the remarks of all of the speakers. Taken together, these remarks provide a succinct summary of the nature of the auto theft problem, of the measures that have been taken to

combat this problem, and of the steps that should be taken now if this problem is to be handled in a proper manner.

At the heart of the National Workshop were the small group discussions that immediately followed the Plenary Sessions. The 280 people in attendance were divided into eight small workshops, each addressing the subject that was raised by the speakers during the plenary session.

Every workshop contained representatives from various fields. For example, every group had at least one state legislator, police official, insurance company representative, automobile dismantler, motor vehicle administrator, prosecutor, FBI agent, federal official, etc. The small groups were chaired by a moderator, whose job it was to maintain orderly discussion, and a facilitator, who was an expert on auto theft prevention. Attendees remained a part of the same group for each of the four sessions.

In order to maximize the free exchange of ideas and information among all of the parties represented, no formal record of remarks was kept of the small discussion groups. Through this process of mutual interaction, group members, in frank and open discussion, came to appreciate the particular difficulties each of the interested parties has in dealing with the auto theft problem.

On the afternoon of October 5, there was a General Plenary Session during which leaders of the small discussion groups gave short presentations about what had transpired within their group. These leaders also reported on the consensus that had been reached as to specific steps that should be taken to combat auto theft. The remarks of the leaders are included in this compendium.

Following the remarks of the small group leaders, Workshop participants discussed and voted upon a number of resolutions. The resolutions that were adopted are contained in Appendix E. Some of the resolutions endorse measures that are currently being undertaken. Resolution 9, for example, commends the work of local anti-car theft (ACT) committees, which have helped to significantly reduce the rate of auto theft in certain areas. Other resolutions endorse proposals that have been suggested as major steps that can be taken in the immediate future. Resolution 21, for example, endorses the proposed federal Motor Vehicle Theft Prevention Act of 1978 (U.S. Senate Bill 3531, introduced by Senators Percy, Biden, and Thurmond). A summary of the discussion that took place during the resolution passing session is contained in these proceedings.

The three main addresses at the Workshop were made by men who are strenuously combating auto theft at the state level. The first speech was delivered by the Honorable Glendon B. Craig, Commissioner of the California

Highway Patrol, who told of the activities of that Patrol which has coordinated a comprehensive motor vehicle theft prevention effort for many years. He also pointed out that the auto theft rate will not be reduced significantly unless there is greater public awareness of the problem. According to the Commissioner, exciting public interest is the business not just of police officials, but also of insurance companies, vehicle manufacturers, elected officials, government departments, judges and prosecutors.

At the luncheon address on October 4, Senator Joseph Pisani, Chairman of the Consumer Protection Committee of the New York State Senate, stressed the fact that many motor vehicles were stolen by professional thieves in order to strip the vehicles for their major component parts. These parts are then sold to be used to repair damaged automobiles. This is a lucrative business, but the efforts of police officials to combat this problem have been stymied because there is now no easy way to identify a stolen part once it has been removed from the vehicle. He recommended that motor vehicle manufacturers be required to affix vehicle identification numbers on major component parts.

The closing banquet was addressed by Honorable Alan J. Dixon, Secretary of State of Illinois. As Secretary of State, he is also the principal administrator of the Illinois motor vehicle laws. Secretary Dixon told of initiatives he has taken to combat auto theft since he assumed office in January, 1977. He also emphasized the need to win public support for measures designed to reduce auto theft, saying that society does not yet realize the size and sophistication of the organized auto theft industry. When the people know more, they will care more and will demand action.

The remarks of Commissioner Craig, Senator Pisani and Secretary Dixon are included in the compendium.

In planning for the National Workshop, the New York State Senate Transportation Committee was fortunate to be aided by a distinguished Advisory Committee. Members of this Committee consisted of representatives of the National Automobile Theft Bureau, the Automotive Dismantlers and Recyclers of America, the International Association of Auto Theft Investigators, the U.S. Department

of Justice, the U.S. Department of Transportation, the American Association of Motor Vehicle Administrators, the International Association of Chiefs of Police, the Motor Vehicle Manufacturers Association, the National District Attorneys Association and the Office of Special State Prosecutor, State of New York. This Committee met three times and the advice offered by the members was crucial to the success of the Workshop.

From the time that the idea of a National Workshop was first conceived, it was determined that the effort to combat auto theft should not cease at the conclusion of the meeting in October. In order to continue the momentum established by the Workshop, there would have to be planned follow-up activities. These activities would be aided by a national committee, a Liaison Committee, many of whose members would have previously served on the Advisory Committee. Accordingly, one of the resolutions proposed to participants of the National Workshop was that the Workshop endorse the formation of the Liaison Committee on Auto Theft Prevention. This resolution passed unanimously.

The role of the Liaison Committee is to promote and help institute a nationwide coordinated effort to combat the problem of auto theft. To this end, the Committee will aid in the establishment of state and/or regional Task Forces to attack the auto theft problem. The Committee will also serve as a clearinghouse for information about auto theft prevention activities, will foster research in the field, and will help disseminate this compendium. It will also assist in the development and encourage the passage of uniform and complimentary legislation by the several states and the Congress to reduce the incidence of auto theft.

All of the foregoing activities and the forthcoming work in research and legislative action and development of Task Forces has been and will be developed under the aegis of the Senate Standing Committee to which reference has heretofore been made. Unlike most conferences, where at their conclusion matters remain quiescent, in this instance, it is the objective of our Committee to move forward with new techniques designed to combat this serious crime.

What follows is a transcript of the actual proceedings of the Workshop which the Committee hopes will be most informative.

\* \* \* \* \*

## CONCLUSION

The primary conclusion of the National Workshop on Auto Theft Prevention is that there is no simple solution to the auto theft problem. Motor vehicles are stolen for a variety of reasons and disposed of in a variety of ways and any attack on the problem must be equally complex and variegated. Developing a proper plan of action will thus not be easy. The National Workshop was only a first step in this direction.

An additional difficulty in devising a practical solution arises from the fact that a large number of governmental agencies and private groups have a responsibility for curbing auto theft. These groups must find a way to coordinate and cooperate with each other on a consistent basis if a workable plan is to be implemented. Workshop participants, moreover, were convinced that public apathy toward auto theft must be overcome. Because the public does not seem to care about auto theft, sufficient funds are not allocated for auto theft prevention activities, and the judicial system has placed auto theft on the back burner.

The public image of the auto thief is that of a youth who steals a car for temporary transportation purposes—that is, of the "joyrider." This image needs to be overcome. Nowadays, the typical auto thief is apt to be a professional criminal who is a member of an organized theft ring. Such rings steal automobiles in order to strip the vehicle for its major component parts, to sell the car to unsuspecting buyers after altering the vehicle identification number, or to export the vehicle overseas.

There is a great profit in such activities. If a late model automobile is stolen and stripped, for example, the total value of the major component parts such as fenders, doors, front end assemblies, will be in the thousands of dollars. Such parts are sold to auto repair shops at a lower cost than can be offered by legitimate vehicle dismantlers. This drives an honest man out of business over the long run.

The professional auto thief is a menace not just because his activities result in higher insurance rates but because he helps to kill legitimate businesses. Profits derived from auto theft are used to finance other illicit activities such as the sale of narcotics and the establishment of gambling operations.

In addition to the increasing involvement of professional thieves in the auto theft "business," another reason for high auto theft rates is insurance fraud. Many reported auto thefts, in fact, never actually occurred. The owners of the vehicles made stolen vehicle reports in order to collect the insurance because the book value of their cars was higher than the resale value. In some areas, insurance fraud is estimated to run as high as 25 percent of all reported auto thefts.

It was agreed upon by Workshop participants that activities designed to reduce the incidence of auto theft will be

successful only if they increase the risk of punishment to the thief or to the person who fraudulently reports that his car has been stolen. The major difficulty, however, is that no single step by itself can significantly increase the possibility of arrest and punishment. Each step must be coordinated with other activity. If, for example, as was suggested by many individuals at the National Workshop, the major component parts of automobiles are marked by the manufacturer with vehicle identification numbers, then theoretically it will be more difficult for the auto thief to market stolen parts. But, if police officers never check inventories of used major component parts in salvage yards against the computer listing of stolen vehicles, then the risk to the thief has not been greatly increased.

Furthermore, if, having made a careful survey of stored parts, enough evidence is produced to make an arrest resulting in a conviction, but the judge in the case reduces the penalty for the thief because he does not regard auto theft as a serious problem, then the risk to the thief has not been increased to the point where he will cease his activities. Why should a thief who is making thousands of dollars a week shut down his operation because he has received a small fine, as so often occurs with auto theft cases?

To provide another example, there is general agreement that there should be uniformity of state title certificates and that such certificates must have security features. This will make it more difficult for a vehicle stolen in one state to be registered or titled in another state. Each state must develop procedures which require that its own records be checked whenever a certificate of title is surrendered from another state. It must then return the surrendered certificate back to the state of issuance. If the states do not check information relating to stolen motor vehicles, the risk to the thief will really not have been increased. Once again, the auto theft problem is complex and thieves will use every loophole they can find to get around the law. The only means to solve the problem is through a sophisticated and coordinated approach.

The resolutions adopted by the National Workshop reflect the fact that auto theft is a multifaceted problem. These resolutions cover all aspects of auto theft. Together they represent the consensus of the participants at the Workshop concerning practical steps that must now be taken to curb auto theft. (The complete set of resolutions is to be found in Appendix E.)

According to many of the speakers at the National Workshop, in certain areas of the country the theft of motor vehicles for parts has reached crisis proportions. In order to reduce the theft of automobiles for parts, the Workshop recommended that motor vehicle manufacturers intensify their efforts to mark major component parts with vehicle identification numbers (Resolution, 1). The Workshop also endorsed making it a felony to alter VIN numbers on the vehicle or on its major component parts

(Resolution No. 2). In addition, state governments were urged to increase the penalties for illegal dismantling operations and to train sufficient personnel to enforce the laws prohibiting such illegal operations (Resolutions Nos. 7 and 9).

There was universal agreement at the National Workshop that there must be uniformity in vehicle titling and salvage control procedures, including the surrendering of titles by insurance companies for vehicles declared a total loss. (This conclusion is reflected in Resolutions Nos. 10, 11, 12, 13, and 14.) Without such uniformity, the ability of thieves to use the vehicle identification numbers of salvage vehicles to "replate" stolen vehicles of the same make and model (the VIN switch) will not be diminished.

To reduce insurance fraud, the National Workshop recommended that each state legislature make it a felony to falsify a stolen vehicle report to a law enforcement agency or to an insurance company (Resolution No. 15). Clearly, one of the most effective means of reducing such fraud is heavy penalties. Insurance policies could, once such laws are passed, point out the penalties for false reporting. The Workshop also suggested that insurance companies physically inspect each vehicle they insure to reduce the incidence of fraud (Resolution No. 17). Currently, insurance companies sometimes insure "phantom" vehicles that do not actually exist.

One of the major difficulties with auto theft is that there is not enough accurate information about the monetary costs of auto theft, the methods by which vehicles are stolen, the purposes for the theft and the manner of disposition after the theft. Obviously, the need for research in this area is great. Resolution No. 20, therefore, calls for the development of meaningful data on auto theft and urges cooperation between the insurance industry, motor vehicle manufacturers and the law enforcement community to achieve this objective. Moreover, one of the functions of the Liaison Committee endorsed by the Workshop (Resolution No. 22) will be to help coordinate research projects. Indeed, this Committee has already been given the responsibility through the passage of Resolution No. 23, to pursue a study of the problem of civil liability by insurance companies. At the present time, some insurance companies have been fearful of cooperating with law enforcement agencies against their clients because of the possibility of civil liability arising from such cooperation.

There was a clear sense among Workshop participants that the federal government must become more involved with auto theft. Accordingly, Resolution No. 3 endorses the proposed Motor Vehicle Theft Prevention Act of 1978 introduced in the Senate by Senators Percy, Biden and Thurmond and in the House by Congressman Green. This Act allows the federal government to make regulations designed to curb auto theft without having to justify such regulations within the context of a safety nexus. It also extends the jurisdiction of the federal RICO (anti-racketeering) statute to cover the activities of motor vehicle theft rings, which frequently operate on a national scale.

This Act also would introduce strong measures for controlling the importation to and exportation from the United States of stolen vehicles. In the specific area of the exportation of stolen vehicles to Mexico, the Workshop urged the development of coordinated plans, practices and procedures which would limit the opportunity for a stolen vehicle to illegally enter Mexico and would expedite the return of any stolen vehicles located in Mexico (Resolution No. 19).

The National Workshop also asked that the federal government make funds available to the states under the federal Highway Safety Act to be used to implement anti-theft measures in the area of vehicle titling and registration and control over salvage vehicles (Resolution No. 4). In addition, the Workshop urged the Attorney General of the United States, in conjunction with law enforcement personnel on all levels of government, to consider creating a comprehensive national inter-governmental prosecutive program for auto theft offenses which clearly specifies which cases should be, might be and will not be brought in federal court (Resolution No. 6). Local, state and federal prosecutors were asked especially to increase their prosecution of car theft rings and "chop shop" operations and the courts were urged to impose penalties which will take the profit out of these illicit activities (Resolution No. 7).

The several state governments were asked to take action against auto theft by designating one state law enforcement agency to be responsible for statewide coordination of law enforcement efforts and crime prevention measures in regard to motor vehicle theft (Resolution No. 8). The states were also asked to allocate more funds to assist and support law enforcement and motor vehicle agencies in carrying out their anti-theft responsibilities. Specifically, more money should be allocated to effectively carry out the monitoring of records, the inspection of auto recyclers, dismantlers and repair operators and other related activity. Sufficient funds should also be allocated for specialized training of anti-theft personnel (Resolution No. 9).

One way of reducing auto theft is by "hardening" the target, that is, by making it more difficult for thieves to enter into a mobilized vehicle. Resolution No. 16 encourages the use of insurance discounts on comprehensive insurance coverage for the installation of anti-theft devices. Resolution No. 18 urges motor vehicle manufacturers to continue their efforts to develop innovative and creative techniques to prevent the unauthorized mobilization of the motor vehicle.

Many speakers at the National Workshop emphasized the fact that it is not enough just to make changes in laws, regulations, procedures and funding priorities. What is also needed is the will to forcefully enforce the rules. This is true not just for police officers. It also applies to motor vehicle administrators, prosecutors, judges and a host of other groups. Most importantly, perhaps, the general public needs to be informed of the seriousness of the auto theft problem and must be encouraged to support practical measures designed to alleviate the problem.

By passing Resolution No. 21, the National Workshop recognized the need for citizen involvement in auto theft prevention. This resolution encourages the creation of Anti-Car Theft (ACT) Committees which bring together law enforcement agencies, private industry and the public. In areas where such committees have been active, auto theft rates have been significantly reduced. The Liaison Committee endorsed by the Workshop will do all that it can to increase public awareness of the nature and seriousness of the auto theft problem. Working together

with other concerned parties, it will help to spark a nationwide attack on this most serious of all property crimes. This Committee is already at work with plans for the creation of several task forces in various parts of the country. In that connection it seeks actively to promote a fully cooperative plan of action in each area in which all segments of government and private enterprise which have a stake in reducing auto theft will pool their resources in a unified effort.

\* \* \* \* \*

**RESOLUTIONS ADOPTED  
BY THE  
NATIONAL WORKSHOP ON AUTO THEFT PREVENTION  
NEW YORK HILTON HOTEL  
OCTOBER 5, 1978**

*Resolutions Committee Members*

John B. Kiernan, Chairman  
Honorable Michael J. Murphy  
Michael G. Zipkin  
Thomas Carr  
Donald J. Rouse  
Mitchell H. Pally, Counsel to the Committee

**RESOLUTIONS ADOPTED BY THE NATIONAL WORKSHOP ON AUTO THEFT PREVENTION OCTOBER 5, 1978**

<i>Number of Resolution (Workshop Calendar Number in Parenthesis)</i>	<i>Title</i>
1 (1)	Vehicle Identification Number-- Components
2 (5A)	Vehicle Identification Number
3 (21)	Endorsement of Motor Vehicle Theft Prevention Act of 1978
4 (14A)	Use of Federal Funds
5 (25)	Federal Prosecutive and Dyer Act Guidelines
6 (16)	National Inter-governmental Pro- secutive Program
7 (6)	Prosecution of Car Theft Rings
8 (8)	Coordinating State Law Enforce- ment Agency
9 (22)	State Budget Priorities
10 (2)	Certificate of Title Procedures
11 (3)	Uniform Certificate of Title Form
12 (19A)	Vehicle Tinting
13 (17)	Uniform Vehicle Code
14 (18)	Reporting of Salvage Vehicles to National Automobile Theft Bureau
15 (4)	False Stolen Vehicle Reports
16 (11)	Insurance Premium Discounts for Anti-Theft Devices
17 (15)	Physical Inspection by Insurance Companies
18 (10)	Manufacturing Techniques
19 (13)	Recovery of Stolen Vehicles from the Republic of Mexico
20 (7)	Meaningful Statistical Data
21 (9)	Citizen Participation and ACT Committees
22	Liaison Committee
23 (24)	Insurance Liability Study by Liaison Committee
24 (26)	Communication of Workshop Resolutions

*Resolution #1***VEHICLE IDENTIFICATION NUMBERS—COMPONENTS**

WHEREAS, A major reason for 55 percent of the unrecovered automobile thefts is the market for their parts; and

WHEREAS, An illicit dismantler derives an enormous profit from dismantling the automobile and selling the component parts separately; and

WHEREAS, In addition to being an extremely lucrative form of crime, auto theft for parts is also very safe, a major factor being the absence of any identification of the most popular component parts which would enable law enforcement to track the stolen parts back to a particular theft and to the particular vehicle from which they came; and

WHEREAS, The proposed identification of all major component parts will enable police and motor vehicle inspectors to maintain a complete set of records for all the transactions an automobile or major component part goes through, from the time it comes off the assembly line to the time it is reduced to scrap by the scrap processor; and

WHEREAS, An audit trail of this kind will enable law enforcement officials to monitor the flow of component parts through the repair and salvage industries and thus eliminate the illegal market for those component parts, now, therefore, be it

RESOLVED, The National Workshop on Auto Theft Prevention encourages the motor vehicle manufacturers to intensify their efforts to mark the major component parts of the motor vehicle with the vehicle identification number or a derivative of such number in order to better control the "chop shop" activity and to help prevent retitling of stolen motor vehicles; and be it

FURTHER RESOLVED, The National Workshop on Auto Theft Prevention urges the various legislatures of the states but preferably the Congress of the United States to enact legislation mandating component identification if the manufacturers do not do so voluntarily.

*Resolution #2***VEHICLE IDENTIFICATION NUMBER**

WHEREAS, It has been found that the vehicle identification number is one of the best ways to identify a particular motor vehicle; and

WHEREAS, The ability to identify individual motor vehicles can make it much easier to track down stolen automobiles; now therefore, be it

RESOLVED, That the National Workshop on Auto Theft Prevention urges the states to require that the vehicle identification number required by Federal Standard 115 remain with the vehicle until the vehicle is reduced to its raw materials; and be it

FURTHER RESOLVED, That the National Workshop on Auto Theft Prevention endorses the concept that states should enact suitable criminal laws which make it a

felony to remove or alter any identification number applied by the manufacturer to the motor vehicle or its component parts and permit the seizure by law enforcement, and possible forfeiture thereof, of any motor vehicle or component part with altered or removed identification numbers.

*Resolution #3*

**ENDORSEMENT OF MOTOR VEHICLE THEFT PREVENTION ACT OF 1978**

WHEREAS, "The Motor Vehicle Theft Prevention Act of 1978," also known as Senate Bill 3531, meets the problems outlined in resolution #1 concerning VIN numbers, and has the preferred status of federal legislation which would relieve manufacturers of the problem of meeting different requirements for different states, and

WHEREAS, U.S. Senate Bill 3531 introduces strong penalties for violating the VIN number requirements, so that effective federal enforcement will be possible and

WHEREAS, Senate Bill 3531 extends the jurisdiction of the federal RICO (anti-racketeering) statute to cover the activities of motor vehicle theft rings, which frequently operate on a national scale, and

WHEREAS, S. 3531 introduces strong measures for controlling the importation to and exportation from the United States of stolen vehicles, now therefore, be it

RESOLVED, that the National Workshop on Auto Theft Prevention endorses the Federal Motor Vehicle Theft Prevention Act of 1978, and encourages the participants in this Workshop to urge their colleagues and members of local and state government to support the passage of this bill.

<sup>1</sup>On October 5, 1978, this bill was introduced in the House of Representatives by Congressman William Green of New York. It is H.R. 14252.

**Resolution #4****USE OF FEDERAL FUNDS**

WHEREAS, The National Workshop on Auto Theft Prevention recognizes the severity of the economic losses to society resulting from stolen and reported stolen motor vehicles; and

WHEREAS, Such losses impinge upon all sectors of society, both public and private; and

WHEREAS, There exists, nationwide, a multitude of ideas and conceptual approaches to combat the problems associated with stolen motor vehicles; and

WHEREAS, The Federal and State governments must become partners in the fight against auto theft; and

WHEREAS, Large amounts of funds are needed to carry-out new rules and procedures by the states; now, therefore, be it

RESOLVED, The National Workshop on Auto Theft Prevention endorses the concept of making federal funds

available to the states under the Federal Highway Safety Act to be used to implement "anti-theft" measures in the areas of vehicle titling and registration and control over salvage vehicles; and be it

FURTHER RESOLVED, That these funds can be used for the evaluation of cost/benefits of innovative and demonstration programs toward the goal of determining those elements which may prove suitably beneficial for adoption nationwide.

**Resolution #5****FEDERAL PROSECUTIVE AND DYER ACT GUIDELINES**

WHEREAS, motor vehicle theft has increased an average of 8 percent per year over the last several years and is a very serious problem; and,

WHEREAS, Many such thefts of motor vehicles have been in violation of the National Motor Vehicle Theft Act; and,

WHEREAS, The U.S. Attorney General is responsible for prosecuting alleged violations of the National Motor Vehicle Theft Act, also known as the Dyer Act; and,

WHEREAS, For the past several years the U.S. Attorney General has severely diminished his level of effort and involvement in prosecuting Dyer Act cases; and,

WHEREAS, This reduction of activity by the U. S. Attorney General has resulted in an increased workload and expense to state and local agencies; and,

WHEREAS, This general absence of prosecuting authority has often resulted in the necessary release of apprehended suspects charged with violations of the Dyer Act; now, therefore, be it

RESOLVED, That the National Workshop on Auto Theft Prevention hereby requests that the U.S. Attorney General fulfill his responsibilities for prosecuting complaints alleging interstate transportation of stolen vehicles; and, be it

FURTHER RESOLVED, That copies of this resolution be forwarded to the U.S. Attorney General and the Director of the Federal Bureau of Investigation.

*Resolution #6*

**NATIONAL INTER-GOVERNMENTAL PROSECUTIVE PROGRAM**

WHEREAS, The auto theft problem has reached epidemic proportions in this country; and

WHEREAS, Only through cooperation between all levels of government will success be made in the battle against auto theft; and,

WHEREAS, Many times the jurisdictional disputes which occur between the federal and state governments over the prosecution of certain cases has taken precedence over the prosecution itself, and,

WHEREAS, In many instances both the state and federal governments have jurisdiction in certain cases because

of the fact that the stolen motor vehicle was transported over state lines; and,

WHEREAS, Only through a comprehensive program between all levels of government will the resources of law enforcement be utilized in the most efficient manner; now, therefore, be it

RESOLVED, The National Workshop on Auto Theft Prevention urges the Attorney General of the United States, in conjunction with law enforcement personnel on all levels of government, to commence a dialogue looking toward a comprehensive national inter-governmental prosecutive program for auto theft offenses which clearly specifies which cases should be, might be, and will not be brought in federal court consistent with the overall federal prosecutive priorities and resources. The understandings reached through such dialogue should be further refined through the various Federal-State Law Enforcement Committees for each state. To the extent that the federal government is unable to prosecute interstate stolen car offenses, it should implement procedures which facilitate prosecution by local authorities.

**Resolution #7****PROSECUTION OF CAR THEFT RINGS**

WHEREAS, Auto theft has become a big business both in terms of the numbers of vehicles stolen and the billions of dollars which are borne by the consumer and society; and,

WHEREAS, Illegal dismantling operations, known as "chop shops" dismantle the stolen vehicles for their parts, which is a major reason why over 55 percent of the vehicles stolen in New York City were stolen; and,

WHEREAS, Car theft rings have become prevalent in our major cities; now, therefore, be it

RESOLVED, The National Workshop on Auto Theft Prevention urges local, state, and federal prosecutors to especially increase their prosecution of car theft "rings" and "chop shop" operators and further urges the courts to impose penalties which will take the profit out of this illicit activity.

**Resolution #8****COORDINATING STATE LAW ENFORCEMENT AGENCY**

WHEREAS, The incidence of motor vehicle theft in the United States is rising rapidly and that the monetary loss resulting from motor vehicle theft to the law-abiding citizens of the country has been increasing annually; and

WHEREAS, Because of the high rate of motor vehicle theft; premiums for comprehensive motor vehicle insurance have risen at astronomical figures; and,

WHEREAS, It has also been found that there is an abnormally high incidence of accidents resulting in property damage and bodily injury involving stolen automobiles; and,

WHEREAS, Taken together all of these considerations accentuate the imperative need for a concentrated effort

on the part of a single law enforcement agency in each state so as to better utilize the resources at the controls of government; now, therefore, be it

RESOLVED, The National Workshop on Auto Theft Prevention urges those states which have not already done so, to designate one state law enforcement agency to be responsible for the Statewide coordination of law enforcement efforts and crime prevention measures in regard to the motor vehicle theft problem for that state.

*Resolution #9*

**STATE BUDGET PRIORITIES**

WHEREAS, The findings and recommendations of this Workshop may require the implementation, acquisition and appointment of additional personnel, equipment, and facilities by state and local governments to combat the auto theft problem; and,

WHEREAS, In order to effectively carry out the monitoring of records, the inspection of auto recycling, dismantling and repair operations and other related activities, specialized training for anti-theft personnel may be necessary; now, therefore, be it

RESOLVED, That the National Workshop on Auto Theft Prevention urges each state government in its budget process to give high priority to the allocation of sufficient funds to assist and support law enforcement and motor vehicle agencies in carrying out these anti-theft responsibilities and properly training their personnel to do so.

*Resolution #10*

**CERTIFICATE OF TITLE PROCEDURES**

WHEREAS, The need for uniform certificate of title procedures in the various states is substantial and would help reduce interstate vehicle theft; and,

WHEREAS, Certificate of title laws have proven effective in combating the auto theft problem; end,

WHEREAS, Not all states have certificate of title laws and procedures and the certificate of title laws and procedures of some states are very weak and nearly as unreliable as those of states not having any title laws whatsoever; and,

WHEREAS, Because of this, it is possible for a vehicle stolen in a state to be registered or titled in another state and sold or retitled in yet another state, or even in the original state; and,

WHEREAS, All states have not voluntarily developed legislation to assure the integrity of certificates of title to motor vehicles; and,

WHEREAS, The elimination of the major governmental weakness in vehicle theft prevention would thereby deter interstate traffic in stolen vehicles; now, therefore, be it

RESOLVED, The National Workshop on Auto Theft Prevention urges each State to adopt a certificate of title for its motor vehicles which has security features; and be it

FURTHER RESOLVED, The National Workshop on Auto Theft Prevention urges the states to develop procedures which require the physical examination of surrendered certificates of title for accuracy and indications of forgery, counterfeiting and alteration; and be it

FURTHER RESOLVED, The National Workshop on Auto Theft Prevention urges the states to develop procedures which require that its own records be checked, including available records relating to stolen motor vehicles, whenever a certificate of title is surrendered; and be it

FURTHER RESOLVED, The National Workshop on Auto Theft Prevention endorses the concept that when a state receives a surrendered motor vehicle title which is issued by another state that such certificate be sent to such issuing state in order that it can both verify its authenticity and validity and update its own record systems; and be it

FURTHER RESOLVED, The National Workshop on Auto Theft Prevention endorses the concept that whenever a vehicle presently registered or titled in another state is presented for titling that, among other factors, the vehicle identification number and derivatives be examined for both exactness with that stated on the title application papers and for signs of tampering, alteration or removal.

*Resolution #11*

**UNIFORM CERTIFICATE OF TITLE FORM**

WHEREAS, The AAMVA, through the American National Standards Institute (ANSI), D-19 Committee, is developing uniform vehicle registration and title procedures; and,

WHEREAS, The ANSI D-19.4 Subcommittee, through diligent and monumental efforts, has now completed a recommended uniform title form; and,

WHEREAS, The immediate necessity for development of a *uniform title form* for administrative efficiency and enforcement was determined to be a priority by members of the 1977 AAMVA Registration and Title Workshop; now, therefore, be it

RESOLVED, That the *uniform title form* designed by the ANSI D-19.4 Subcommittee represents the best product available in motor vehicle administration at any given point in time; and, be it

FURTHER RESOLVED, That National Workshop on Auto Theft Prevention endorses the efforts of the D-19.4 Subcommittee and urges all jurisdictions to adopt the *uniform title form* for the needs of such jurisdictions at any given point in time with due recognition that such *uniform title form* reflects changing needs and requirements and will change accordingly.

**Resolution #12**  
**VEHICLE TITLING**

WHEREAS, Automobile theft, perhaps the fastest growing crime in the United States, continues to be one of the most complex, costly and widespread problems ever to confront law enforcement and the American public; and,

WHEREAS, There is almost universal agreement among persons involved with motor vehicle theft prevention that one of the major difficulties in dealing with this problem is that existing law and regulations are not being adequately enforced; and,

WHEREAS, Strong and effective title laws which continue for the life of the vehicle have the best chance of allowing some control over the auto theft problem; now, therefore, be it

RESOLVED, That the National Workshop on Auto Theft Prevention urges each state to review and enforce its current laws, regulations and practices in the areas of vehicle titling and registration and control over salvage vehicles with the view toward enacting and implementing those changes which will have a practical effect on preventing the theft of automobiles and their disposition in whole or in part; and be it

FURTHER RESOLVED, That the National Workshop on Auto Theft Prevention urges each State to adopt procedures which will adequately control the flow of the salvage motor vehicle from the time it loses its roadworthiness up to the time it is reduced to scrap metal; and be it

FURTHER RESOLVED, That the National Workshop on Auto Theft Prevention urges the Department of Motor Vehicles of each state to enact procedures to recover the certificate of title of each vehicle which is no longer economically roadworthy, that salvage certificates for the hulk of each vehicle should then be issued, that at the very least such salvage certificates should be issued for late model vehicles, or if the issuance of a new certificate is impractical; the department should return the original with the appropriate mark on it to indicate salvage; and be it

FURTHER RESOLVED, That the National Workshop on Auto Theft Prevention urges the states to enact procedures for the re-titling of reconstructed vehicles which would include inspection by a qualified inspector to verify the original VIN number, proof of purchase and source of the repair parts used in reconstruction; and therefore be it

FURTHER RESOLVED, That the National Workshop on Auto Theft Prevention urges the states to develop comprehensive plans over the control of salvage vehicles to include in such efforts adequate measures relating to tow trucks and mobile crushers; and be it

FURTHER RESOLVED, That the National Workshop on Auto Theft Prevention commends the efforts of Maryland Motor Vehicle Administration in regard to the development of its "Model Salvage Vehicle Procedures" and urges all of the states to give serious consideration to the implementation of the recommendations contained therein.

*Resolution #13*

**UNIFORM VEHICLE CODE**

WHEREAS, Legislation by the states must be made comprehensive and up to date so as to counter the increasing multitude of auto theft problems; and,

WHEREAS, The National Workshop on Auto Theft Prevention understands that the National Committee on Uniform Traffic Laws and Ordinances is considering an extensive revision of the chapters of the Uniform Vehicle Code (UVC) relating to Certificates of Title and Registration of Vehicles, Anti-Theft Laws, and Dealers, Wreckers and Rebuilders; now, therefore, be it

RESOLVED, That the National Workshop on Auto Theft Prevention urges that this revision be accomplished in the near future and that the results of such efforts be made available to the states for their careful consideration.

*Resolution #14*

**REPORTING OF SALVAGE VEHICLES TO NATIONAL AUTOMOBILE THEFT BUREAU**

WHEREAS, The inter-relationship of salvage vehicles and auto theft is most complex and comprehensive; and,

WHEREAS, The identification of salvage vehicles would go a long way toward combating the auto theft problem; and,

WHEREAS, National reporting of these numbers must be maintained so as to combat the interstate transfer of salvage vehicles; and,

WHEREAS, There is an organization currently equipped to use these numbers in the identification process; now, therefore, be it

RESOLVED, That the National Workshop on Auto Theft Prevention urges insurance companies to report the identity of salvage motor vehicles, especially late model vehicles, to the computer system of the National Automobile Theft Bureau.

*Resolution #15*

**FALSE STOLEN VEHICLE REPORTS**

WHEREAS, The false reporting of auto thefts has led to an epidemic of owners reporting that their vehicles were stolen so as to receive the insurance proceeds; and,

WHEREAS, Many insurance companies require that the owners have filed a report with the local law enforcement agency before they can collect; and,

WHEREAS, These false claims tie up valuable time and manpower of the law enforcement agency; now, therefore, be it

RESOLVED, That the National Workshop on Auto Theft Prevention urges each state legislature to make it a felony to make a false stolen vehicle report to a law enforcement agency or to an insurance company.

*Resolution #16*

**INSURANCE PREMIUM DISCOUNTS FOR ANTI-THEFT DEVICES**

WHEREAS, As a result of high auto theft rates, many areas of the country pay significantly higher insurance premiums for comprehensive coverage; and,

WHEREAS, One of the ways to reduce the incidence of automobile theft is to have automobile owners install anti-theft devices on their vehicles; and,

WHEREAS, Appropriate reductions in motor vehicle insurance premiums will encourage the installation of anti-theft devices; now, therefore, be it

RESOLVED, The National Workshop on Auto Theft Prevention encourages the legislators and insurance commissioners of those states which have a high auto theft rate to consider adopting a procedure similar to that instituted by the State of Massachusetts whereby certain discounts on the comprehensive insurance coverage are given for those motor vehicles which have been retrofitted with various anti-theft devices which meet the necessary criteria for such a program.

*Resolution #17*

**PHYSICAL INSPECTION BY INSURANCE COMPANIES**

WHEREAS, The increasing incidence of fraudulent auto theft claims has led to gigantic rip-offs of insurance companies; and,

WHEREAS, Many times insurance coverage will be taken out on automobiles which never existed or no longer exist so as to be able to obtain the insurance proceeds upon such nonexistent automobiles; and,

WHEREAS, The inclusion of expensive equipment never installed in claims for insurance has had the effect of increasing claims payments, hence increasing insurance rates; and,

WHEREAS, Such fraudulent claims burden law enforcement facilities and inflate auto theft statistics; now, therefore, be it

RESOLVED, The National Workshop on Auto Theft Prevention urges insurance companies to adequately inspect the identity, physical condition and equipment of newly insured vehicles before issuing an insurance policy on them; and, be it

FURTHER RESOLVED, That if such inspections are impractical for all areas, they should be conducted for "profile" situations especially in those states having a high auto theft rate.

*Resolution #18*

**MANUFACTURING TECHNIQUES**

WHEREAS, Much can be done by the individual car manufacturer to make the motor vehicle that much harder to steal through new techniques; and,

WHEREAS, Technological breakthroughs are happening everyday, in many different aspects of the motor vehicle field; now, therefore, be it

RESOLVED, The National Workshop on Auto Theft Prevention recognizes the need for the motor vehicle manufacturer to continue to develop innovative and creative techniques to prevent the unauthorized mobilization of

the motor vehicle which are consistent with product safety and low cost to the consumer.

*Resolution #19*

**RECOVERY OF STOLEN VEHICLES FROM THE  
REPUBLIC OF MEXICO**

WHEREAS, Each year a significant number of United States owned motor vehicles are stolen and illegally driven into the Republic of Mexico; and,

WHEREAS, The Attorney General of the United States, the Attorneys General for the States of Texas, New Mexico, Arizona and California, and the Attorney General for the Republic of Mexico have commenced a dialogue between themselves and other interested law enforcement and industry representatives to deal with this problem; now, therefore, be it

RESOLVED, That the National Workshop on Auto Theft Prevention urges all law enforcement components in the United States along the Mexican border to work with their counterparts in the Republic of Mexico to devise coordinated plans, practices and procedures which would limit the opportunity for a stolen motor vehicle to illegally enter Mexico and to discover and return it to its owner, in a more expeditious fashion, any such stolen vehicle located in Mexico.

*Resolution #20***MEANINGFUL STATISTICAL DATA**

WHEREAS, To be able to fight the auto theft problem, the involved governmental and private groups and agencies must share information concerning the problem so that priorities can be set; and,

WHEREAS, No single comprehensive statistical framework has yet been developed so as to accurately reflect the auto theft problem in the country, and,

WHEREAS, The National Workshop on Auto Theft Prevention recognizes the need for more meaningful information about the monetary costs of auto theft, methods by which motor vehicles are stolen, the purposes for their theft, and their manner of disposition after their theft in order that more workable and relevant preventive measures can be adopted by motor vehicle manufacturers and state department of motor vehicles; now, therefore, be it

RESOLVED, The National Workshop on Auto Theft Prevention urges the insurance industry, motor vehicle manufacturers and the law enforcement community to work together to develop such more meaningful statistics.

*Resolution #21***CITIZEN PARTICIPATION AND ACT COMMITTEES**

WHEREAS, Numerous examples can be shown throughout the country that where various campaigns and ACT committees have brought together law enforcement

agencies, private industry, and the public, auto theft rates have been significantly reduced; and,

WHEREAS, The public must be brought into any campaign against auto theft; now, therefore, be it

RESOLVED, The National Workshop on Auto Theft Prevention recognizes the need for citizen involvement in the auto theft problem and commends those jurisdictions which have initiated community wide anti-car theft campaigns.

*Resolution #22***LIAISON COMMITTEE**

WHEREAS, The National Workshop on Auto Theft Prevention was conceived as the start of an ongoing program to coordinate and intensify efforts to combat the auto theft problem; and,

WHEREAS, The Advisory Committee for the National Workshop on Auto Theft Prevention has agreed that it is essential to expand and to continue the interest and support generated by the deliberations at the Workshop; and,

WHEREAS, The Law Enforcement Assistance Administration and the host Committee—the New York State Senate Committee on Transportation—have agreed that this work must be continued by a Liaison Committee which will promote and help institute a nationwide coordinated effort to combat the problem of auto theft; and,

WHEREAS, The success of such a nationwide effort is dependent on the establishment of state and/or regional task forces to attack the auto theft problem; and,

WHEREAS, In order to be effective in the region such task forces must be aware of and consider the legislative proposals, the recommendations from law enforcement personnel and motor vehicle administrators and the suggestions of the insurance, motor vehicle salvage, motor vehicle manufacturing, motor vehicle repair industries and other interested groups which may result from this Workshop; and,

WHEREAS, The members of this Liaison Committee should be familiar with the recommendations, philosophy and attitudes developed at this Workshop; and,

WHEREAS, It is essential that this Liaison Committee begin its work as soon as possible so that the momentum and enthusiasm generated at the National Workshop be continued; now, therefore, be it

RESOLVED, That the participants at the National Workshop on Auto Theft Prevention endorse and recommend the formation of a Liaison Committee to work in cooperation with and under the aegis of the host committee and its staff, and in cooperation with the Law Enforcement Assistance Administration and other appropriate groups to develop and implement the formation of state and/or regional task forces to concentrate on reducing and preventing auto thefts and fostering research on the auto theft problem; and, be it

FURTHER RESOLVED, That this Liaison Committee help develop and encourage the passage of uniform and complimentary legislation by the several states and the Congress to fight auto thefts; and, be it

FURTHER RESOLVED, That the Workshop Project Director, in consultation with the Advisory Committee, the host committee and the appropriate officials from the Law Enforcement Assistance Administration and the Justice Department, be empowered to immediately form this Committee and seek members for it from all representative fields of interest in the auto theft problem.

*Resolution #23*

**INSURANCE LIABILITY STUDY BY LIAISON  
COMMITTEE**

WHEREAS, A high level of cooperation between law enforcement agencies and insurance companies is necessary to more efficiently combat the auto theft problem; and,

WHEREAS, The prosecution of auto theft cases can be made more productive by insurance companies providing evidence and information to law enforcement agencies; and,

WHEREAS, Some insurance companies have been fearful of cooperating with law enforcement agencies against their clients because of the possibility of civil liability arising out of such cooperation; and,

WHEREAS, This same possibility of civil liability in cases concerning arson has led to the enactment of legislation granting civil immunity to insurance companies for such cooperation, now, therefore, be it

RESOLVED, The National Workshop on Auto Theft Prevention urges the Liaison Committee formed by this Workshop to pursue a study of the problem of civil liability by insurance companies so as to determine its impact on the auto theft problem.

*Resolution #24*

**COMMUNICATION OF WORKSHOP RESOLUTIONS**

WHEREAS, During the past three days over 200 individuals from 30 different states have thoroughly and extensively discussed the auto theft problem; and,

WHEREAS, During these discussions all interested groups were represented and all facets of the problem were dealt with; and,

WHEREAS, the deliberations of this Workshop have resulted in the adoption of many resolutions which affect many governmental and private groups and agencies and that these bodies should be aware of these resolutions, now, therefore, be it

RESOLVED, That the National Workshop on Auto Theft Prevention communicate the results of its resolutions directly to the State Legislatures, the Congress, federal departments and agencies and other non-governmental organizations and groups mentioned in the body of the resolutions adopted at the Workshop.